THE MAGAZINE OF WALL STREET

OCTOBER 15, 1932

After Election—What?

The Market
By A. T. MILLER

Business
By T. M. KNAPPEN

How the Giant Corporations Are Faring

By HAROLD T. RUTHERFORD

The Outstanding Stock of the Future

By JOHN D. C. WELDON

C. G. Wyckoff
PUBLISHER

VOL. 50 - No. 13

PRICE 35 CENTS

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The Magazine of Wall Street

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The Ticker Publishing Co. is affiliated with no other organization or institution whatever. It publishes only The Magazine of Wall Street, issued bi-weekly, Adjustable Stock Ratings, issued monthly and the Investment and Business Forecast, issued weekly.

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ADVERTISING REPRESENTATIVES—Pacific Coast. Simpson-Reilly, Bendix Building, 1206 Maple Avenue, Los Angeles; Russ Building, San Francisco.

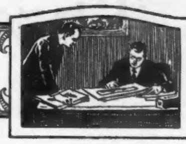
SUBSCRIPTION PRICE—$7.50 a year in advance. Foreign and Canadian $8.50. Please send International money order or U. S. Currency.

TO CHANGE ADDRESS—Write us name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, E. C. 4, England.

Cable Address—Tickerpub.

WITH THE EDITORS



No Permanent Investments

A LONG period of market uncertainty brings out with unpleasant force whatever weaknesses may exist in one's investment ideas. Not long ago a subscriber showed us a brief investment list. It comprised what he had considered his "backlog," but it revealed very heavy losses. The reason was obvious. Being a man with exacting business interests he had, consciously or not, become an adherent of the "buy them low—put them away—and forget the principle."

At the time when the securities in this list were purchased nearly every one, bonds, preferreds and common stocks, would have been termed high grade. The prices paid for them were not excessive in proportion to individual earnings or prospects of the companies at the time of purchase—but today income is negligible and original costs far above current quotations.

Yet the losses in this list could not be attributed solely to the bear market of the last three years. While the general decline undoubtedly hastened the fall in values, the primary reason was to be found, at least in part, in the industries represented. Traction issues once high grade that had come down as inheritance stood out as glaring examples that vied with the preferred stock of a phonograph company for the outstanding example of a victim of the march of progress. Textile securities that should have been sold ten years ago were there, as were not a few railroad bonds that for various reasons had lost their entitlement to a safety classification even before the crash.

This is an extreme case, you will say, nobody hangs on to old securities as forgetfully as this man. Let us hope this is so, but in any case it serves to illustrate the fallacy of thinking of any investment as permanent. Progress in the sciences, changes in the standard of living and even in styles and personal tastes result in continuous changes in whole industries, while competitive conditions and the demand for low cost may make the leading company in an industry today the patriarch of tomorrow which should be liquidated if it does not fail.

It is a sound policy to concentrate one's backlog investments in what is gilt-edge, but it is equally important to remember that the gilt sometimes comes off, in fact it nearly always does, sooner or later. Eternal vigilance is the price that must be paid for real safety.

In the Next Issue

Three Important Investment Features:

1. **Do Fourth-Quarter Prospects Offset Third-Quarter Earnings?**
2. **Selected Investments With Safe, Attractive Income and Future Prospects**
3. **Investment Trusts Under the Microscope**

Is Europe Too Sick to Recover Soon?

By JOHN C. CRESSWILL

Life Insurance Comes Through

By THEODORE M. KNAPPEN

How Strong Are Our National Finances?

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The Trend of Events

—Evidence of an Enduring Turn

—Where is the Gold Coming From?

—Get Rid of Surplus Wheat

—British Cabinet Crisis

—Difficult Time for Holding Companies

—The Market Prospect

EVIDENCE OF AN ENDURING TURN

SHARP advance in securities during July and August, together with signs of moderate improvement in some lines of business, resulted in the establishment of an over-optimistic speculative sentiment. From this high level of hope there already has been partial relapse. For those who can look only to the immediate present and whose opinions are closely geared to the stock ticker, it is not improbable that further disappointment will be experienced during the closing months of the year. Yet it should require no expert knowledge to understand that genuine recovery from protracted economic depression is necessarily a painfully slow process. The all-important fact is that the basic turn appears to have been made. As always, it is most obvious in the purely financial factors. Money is coming out of hoarding and currency circulation is declining. Our holdings of gold are steadily increasing, both through imports and releases of earmarked metal. Member bank reserve balances have reached an exceptionally high level. In short, the overwhelming fear of financial collapse entertained by the markets as recently as last June has vanished. There is a more confident demand for high grade bonds. The almost incalculable pressure of sheer panic has lifted. Regardless of partial relapse, it is inconceivable that it will return. This means that the first step toward revival has been taken. Business may lag behind this financial advance for a dreary period of months. Courage and patience will be required to complete our adjustments, but with the evidence indicating strongly that bottom has at least been put behind us there is every reason to carry on in good cheer.

WHERE IS THE GOLD COMING FROM?

NOT long ago it was thought by many that the only means of rehabilitating the gold standard throughout the world was at the expense of withdrawals from the United States and France, chief depositories of the world's accumulation of the metal. Yet today the gold holdings of the United States, France, Great Britain and Germany are simultaneously increasing. What the pessimists failed to take into account is the enormous corrective influences which economic forces set

to work. Changes in currency standards have resulted in pulling a large amount of gold out of the vast supply hoarded in India. This is the equivalent of new gold, since it was not in active use. Moreover, low commodity prices have had their traditional effect of substantially increasing the world's production of gold. These increases have been especially marked in the mines of South Africa, Canada and Australia. World production for the first half of this year is estimated at 11,070,000 ounces, or the equivalent of $228,800,000 in United States currency. Total 1932 production is likely to set a record of nearly $450,000,000. Under present sub-normal conditions, the world's gold is increasing faster than is the demand for credit.

GET RID OF SURPLUS WHEAT

THE proposal to sell 15 million bushels of American wheat to China is of more than passing significance. It is a worthwhile, even if belated, effort to solve the problem of a huge surplus by disposal of it on a long term credit basis in a market which would be open to us under no other circumstances. To reduce our wheat stock which has increased every year for the past six or seven by even 15 million bushels is the most practical measure in farm relief that could be undertaken, since any reduction in the burdensome supply hanging over the market would result in a strengthened price structure.

The wheat for this sale would be supplied by the Farmers National Grain Corporation, the central marketing agency of the various farmer co-operatives. The plan which this publication sponsored in August, 1931, envisaged just such an operation. It recommended the sale abroad at low prices and on long term credit of all burdensome stocks of commodities. We adhere to the same belief today. No other escape from the pressure of over-supply is open to agriculture or industry. Insofar as it is possible the extension of credit to finance these sales abroad should come from private sources rather than depend on public credit. The Farmers National is apparently skeptical of the Chinese Government notes offered as security in the deal and is therefore demanding that the Reconstruction Finance Corporation underwrite the loan. In the endeavor to protect the credit of the various co-operatives which they represent there appears the all too general tendency of passing all the risk on to Uncle Sam. In our opinion the co-operatives should be willing to assume at least part of the risk in order to gain for their individual members the advantage which must accrue from a removal of any portion of an onerous surplus stock.

BRITISH CABINET CRISIS

IN England the Conservative party has devoured the national government. The fiction that a patriotic coalition was ruling Britain is no longer respected. Hereafter it may be taken for granted that whatever the government does will follow the dictum of the Conservative leaders. The government has split on the traditional lines of trade policy, the immediate occasion being the outcome of the Imperial Economic Conference at Ottawa. The fiscal and monetary emergency being over, our British friends are going back to their beloved partisan battles. With the Liberals and labor members who really stood for their parties out of the government it becomes a purely Tory affair, even though still headed by MacDonald. The significance of the dissolution of the coalition is that henceforth for some years England will be ruled by a highly nationalistic and protective government. Big business has come into power. What it deems good for itself and the country will become the law. The trend toward national isolation throughout the world will be strengthened. This will be deplored or approved, according to the point of view, but its immediate effect will not be helpful either in Britain or in the world. What is needed now is unity of thought and action within nations and harmony without. The greater the disparateness of national thought and the cleavage in international thought the slower will be the crystallization of policies looking toward world reconstruction. Internal differences will have to be fought and straightened out before international divergences can be harmonized into world policies. The end of the coalition government in Britain may mark the indefinite postponement of common action for the amelioration of the world's status.

DIFFICULT TIME FOR HOLDING COMPANIES

THE crash of Samuel Insull will mark a new era in public relations with the utilities, especially the holding companies. They will have to face rigid supervision and control. It does not suffice to say, as is doubtless true, that the Insull grouping was exceptional rather than typical. The good and the evil will be treated alike. It was the abuse of power for private and selfish ends that brought the railways into paralyzing servility to the state and Federal government. The Insulls have betrayed private initiative and independence of management of the utilities to the bureaucrats. It will be both foolish and useless for the masters of power consolidation to oppose the rising popular demand for potent Federal regulation of holding companies. Non-resistance will be the best policy. Indeed, acquiesence in any manifestly public spirited program for regulation of the holding companies is their best defense against persecution and a savage reaction in the direction of public ownership.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 688. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, October 10, 1932.

As I See It — By Charles Benedict

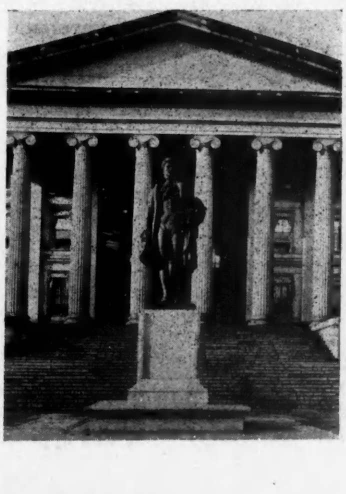
Deflation is the Ultimate Remedy

THE problem of deflation is world-wide. It has everywhere wrought two evils: (1) It has indisputably made the world's burden of debt beyond the world's capacity to pay; (2) It has resulted in a great inequality of current prices, which disastrously impedes the exchange of commodities.

There are three ways of approaching the problem. One is stubbornly to resist all price declines, another is to let prices crash to new levels and scale down and write off debts with all possible speed; the third is monetary or credit inflation or a combination of the two. The United States, together with England and Germany, is at present inclined toward resistance to price reductions and toward inflation in one form or another. France advocates non-interference with prices and opposes inflation. She proposes to allow wages and production costs to come down to the price level rather than attempting to bring the price level up artificially to meet costs. Her reasoning and her policy are sound.

There has been no greater calamity in the present series of calamities than that of the artificial pegging of prices in all lines where such control was possible. Beyond a doubt this perverse rear-guard action against the inevitable has accentuated and prolonged the depression and will still further prolong it. It is mainly responsible for the fact that as the depression has advanced the spread between urban and manufactured products and rural and raw materials has become greater and greater. While surpluses have increased farm products have fallen 47 per cent in the past three years while urban products have gone down but 25 per cent. Only recently have our export agricultural products surrendered to world price levels—and the surrender is not yet complete. We have pegged prices and lost world markets to competing countries. We have done this despite our knowledge of the existence of mountainous surpluses. The result is that competitors take the world markets and we keep our rotting surpluses. At the same time, holding up the prices of urban goods has paralyzed trade at home and banished our manufactured products from world marts.

We might far better have reconciled ourselves at the outset to the fact that deflation is the natural corrective to inflation—the correction of abnormal prices and maladjustments of supply and demand. It was therefore an inevitable process as an aftermath of the boom. But instead, under the leadership of the Government, every energy has been strained to check the corrective processes, to postpone natural adjustments by artificial stimulants with the result that each year of adversity has weakened the whole economic fabric, has overburdened us with debt, and has impaired the very strength which was necessary to withstand the natural remedy.



No doubt price levels can be raised in this artificial manner by monetary dilution if not by credit expansion—even to the dome of the sky. But what assurance is there that the prices that most need to be brought up can be affected? Who can say that a flood of wheat may not more than offset a flood of cheap money, while the latter is boosting prices of manufactured goods? It may well be that while inflation will raise some prices supply and demand will lower others. The spread may be worse than now—worse than ever. The net result would be that some producers of raw materials may find the purchasing power of their commodities lower even than they are at this time. Will that solve our problem or make for prosperity?

It is not the price level that counts but the relation between prices. There is absolutely no assurance that raising a price level will correct inequitable and commerce-restricting discrepancies in prices.

Conceding that we may change the level, that is the average, of prices, who can say that the change will be uniform enough to lift the burden of old debts? If inflation should raise the price of finished goods while supply and demand depressed the price of raw materials, would not the last estate of the wretched farmer-debtor be worse than his first? So with any other who might get the slivery end of the stick. The debtor who deserves no grace might be helped and the one who deserves complete moratorium might get only a heavier burden than ever.

The only way to deal with debts is to pay, compromise or default. The sooner creditors and debtors make up their mind to the fact that the present is a situation that demands heroic and extraordinary measures the better. It will only defer hope to the point of weariness and revolt to fool with the hocus pocus of paying debts by printing money or blowing up credit.

What the times demand for a quick change from depression to expansion is the reduction of all prices to the natural equilibrium between supply and demand, and the reduction or elimination of impossible debts by mutual arrangement or the swift action of bankruptcy and receivership.

Prices, if left to themselves, will soon dissipate the suffocating surpluses. And deflation, if left to take its course helped rather than impeded, will soon give us that equality of values without which equitable exchange and profitable production are impossible.

We have had enough sleight-of-hand treatment of economic ills. Let's stop fooling ourselves, acknowledge the facts and take the cure now that we must come to in the end. The only choice, in fact, is between taking the bitter medicine with a gulp or sipping it slowly over a period of long hard years, relieved of their monotony, possibly by some agonizing experiments with the futile quackeries of inflation.

¶ *Was Business Recovery Over-Discounted in the Summer Advance?*

¶ *Will the Market Shake Off Political Uncertainties in Coming Weeks?*

Is the Autumn Rally Over?

By A. T. Miller

EFFORTS of professional sponsorship to extend the autumn rally in the stock market appear at this writing to have met with conspicuous failure. Indeed, for the first time since early July the market's setting and pattern are such as to suggest the possibility of a reaction of something more than mere technical proportions. Currently around the low level of September's corrective reaction, the market probably will have supplied a clear answer to the question of immediate price trend by the time this article is published.

It may or may not meet effective support. The evidence of its own performance in the last fortnight is against it, although not conclusively so. In previous issues we have made it clear that we regarded the permanent significance of the exaggerated July-August rally as subject to grave doubts. We have consistently advised the deferment of long-term commitments, believing that a major secondary reaction within a period of months will provide a satisfactory opportunity for accumulation in a more orderly market and under more clearly defined business conditions.

Postpone Fresh Commitments

Those of our readers so inclined had an opportunity to make short-term trading commitments on the 40 per cent reaction which culminated in mid-September. This reaction being followed by a notably sharp rally, we advised in the issue, immediately preceding this one, that profits be protected and that additional purchases be postponed. It was asserted that aggressive professional efforts undoubtedly would be made to extend the advance, but that in view of existing business and political uncertainties, as well as potentially important offering of stock above the market, there was no assurance of success for the speculative program that Wall Street was outlining.

The summary is given in order that our position be made clear beyond any possible misunderstanding. We see no reason to abandon a "Safety First" attitude. As we come closer to the national election and the seasonal business recession normal at the year-end caution is more than ever justified. We believe that purchases of all classes of stocks and bonds should be postponed at least until after the election and that market fluctuations in either direction meanwhile should be ignored.

It appears plain that speculative hopes in Wall Street have been modified, whether the change be due to disappointment in the current course of business to political doubts or to a combination of the two. It would seem that the September reaction, cancelling 40 per cent of the entire advance since early July, constituted a full measure of technical correction, putting the market in a position to resume the underlying uptrend if the setting were sound.

Renewal of the advance, however, apparently failed to find an enthusiastic public following and met an important volume of "good selling" at prices materially under the highest of September. Thereafter the market rapidly degenerated into a dull, professional affair, meeting support for a fortnight, but with each successive rally falling short of the previous one.

This impasse has been broken by violent and fairly active decline, checked at this writing at approximately the lows of September. It is of possible significance that renewed weakness has been most conspicuous in the railroad stocks and that it appears to be partially confirmed by a soft tone in speculative rail bonds. Unlike the industrial and utility groups, rail stocks have by a slight degree fallen below their September low point. Some of the leading rails, notably Atchison and Union Pacific, have violated the September support level by several points.

In view of the fact that the rails for two years have consistently provided the most reliable indication of market trend, this adverse performance requires close watching. There is, obviously, something more than coincidence in the speculative leadership of rail stocks. Unless there is cause for rail stocks and bonds to advance, there can be scant cause for a general market advance.

Gain In Car Loadings

In the somewhat meager evidence of basic business improvement to date recent gains in car loadings have undoubtedly been generally accepted as the most convincing and important. Indeed, without the improvement in this index, there would have been very little in the actual industrial picture upon which logical hopes could be based. For a period of approximately six weeks the weekly reports on car loadings showed greater than seasonal improvement. The close of September, however, found this movement flattening out to merely seasonal proportions. Preliminary indications at present point to a further slackening in the rate of gain in those loadings that are of most business significance and raise a question as to whether any further autumn increases in freight traffic may not prove definitely less than seasonal.

Coinciding with market weakness in railroad securities, this possibility is of unusual interest. Moreover, we are now virtually at the period of time when attention must turn from thoughts of seasonal gain in car loadings to the precedent of seasonal year-end decline. The proportions of this approaching recession should go far toward reveal-

ing the actual character of such change for the better as has occurred in business since panic ended in June.

It is not surprising that the absence of dynamic business gains should reflect itself in speculative disappointment. At a low level of stock prices anyone could feel fairly well satisfied with the course of business, realizing that genuine revival can only be painfully slow. But the share market in August discounted a much brighter picture than this. Quite possibly the excessive August advance is more genuinely responsible for the present feeling of disappointment than are the actual business developments.

Speculative Disappointment

Closely related to the current reaction in sentiment is the decided weakness in grain prices, especially wheat. The stock market had been pinning its hopes of an October rally largely upon the prospect of an October rally in wheat. Indeed, a wheat rally was widely predicted, apparently on the theory that the expected seasonal relaxation of the pressure of hedge sales would give bullish speculators an opportunity. The "rally" having been widely advertised, it is not unlikely that the buying side attracted many amateur speculators, with the result that their frightened selling accelerated the decline which eventually occurred.

It is more significant, however, that weakness in wheat at Chicago coincides with weakness in leading foreign markets, notably Liverpool and Winnipeg, at which center wheat prices have reached the lowest levels ever known. A speculative rally at Chicago is always a possibility, particularly after sharp decline, but nothing could be more fatuous than the dream that fundamental improvement in wheat prices may be expected to support a genuine uptrend in the stock market.

The basic fact is that American wheat prices consistently remain above the world market, an anomaly that can only act to retard our export sales in competition with other producing countries, notably Canada and the Argentine. The effect also is steadily to increase our surplus of the product. The carryover of wheat in the United States has increased for seven successive years. The 1932 carryover is conservatively estimated at 378,000,000 bushels, or nearly four times the 1926 carryover of 99,000,000 bushels.

Nor is wheat our only commodity disappointment. The general rise in commodities which started in June has now shown a distinct flattening out, and, indeed, a moderate recession, for several weeks. To the realistic student of price history this should not be surprising. There is strong ground for believing that many commodities, especially raw materials, made their depression bottom in June. We have reason to hope for a period of stability which will remove the important handicap of rapidly falling prices from the path of business. But there is nothing whatever in the current price movement or in the huge surpluses of available products to justify the optimism of those who believe that the 1922-1929 price line represents "normality" and that business recovery will consist in the main of a return to that level.

Federal Relief Experiment

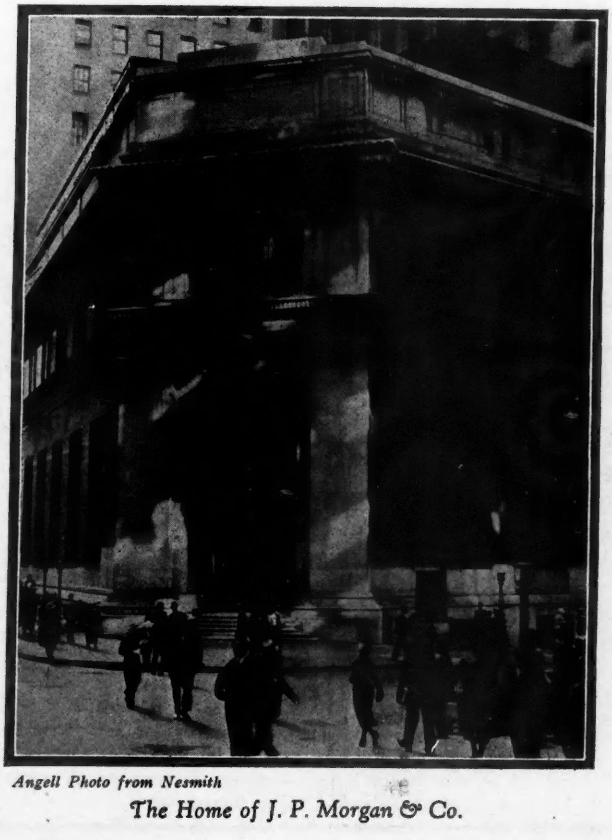
The price question is of supreme importance to all investors because the ultimate success or failure of the gigantic experiment in depression relief being conducted by the Federal Government will depend to a large extent upon the course of commodity prices. The winter months will provide a severe test of the business position. It is altogether likely that governmental expenditures in direct relief of human distress will be extended, but if the evidence of success does not soon become conclusive it is to be doubted that the present lavish use of public credit in attempting to bolster private business will be continued. So far as business is concerned, it is not illogical to suppose that something like the maximum Federal relief effort has been seen. If there should be a modification of the program this winter it may conceivably take the form—somewhat belatedly—of letting the most badly needed economic adjustments take their natural course. Without a substantial business revival, this would no doubt mean the reorganization of such railroads as are over-ridden with funded debt.

Even though we have every reason for confidence that the low point of depression has been definitely put behind us—especially in the all-important aspect of public psychology and as regards our general credit and financial structure—there is no logic in ignoring the importance of the problems yet to be faced if we are to experience a sound and enduring recovery.

We are still cursed by policies of political expediency. We are listening to a recounting of how the gold standard was saved in a crisis that is now history, and too much talk of having balanced the Federal budget, when the cold fact is that the budget is as far out of balance as it was a year ago. There is only one threat to the gold standard in this country and that is a mounting Federal deficit—a deficit increasing at a rate which may mean a $2,000,000,000 increase in Federal debt for the present fiscal year. It (*Please turn to page* 732)

Landmarks of Wall Street, Old and New

No. 4



Angell Photo from Nesmith

The Home of J. P. Morgan & Co.

Business Conditions in the United States

An Unadorned Picture of Industry at the Close of the Third Quarter

By Henry Richmond, Jr.

A great deal has recently been heard of reviving business — of this plant increasing operations and that one starting up, but such reports do not answer the question of what industries are really on the mend, and where conditions are specifically better or continuing in stagnation. As an aid in appraising the current position of major industries in various parts of the country the map on the opposite page was prepared.

A GLANCE at the accompanying map will show that any business improvement so far registered still leaves much to be desired. A beginning of the upward climb has been made but in itself the improvement has been moderate. It has been widely scattered. Speaking generally, it is the lighter industries which show up to the best advantage, while such activities as coal mining and steel manufacturing continue thoroughly depressed in the great majority of districts.

Regionally, it will be seen that the New England states show the greatest improvement. Here, the activity in the cotton, wool and silk mills has been quite remarkable. There has been also a greatly increased production of boots, shoes and jewelry. As a result of the increased employment, retail trade and minor miscellaneous manufacturing have registered a betterment which is considerably greater than seasonal, and relatively better than other sections.

Outside of the manufacturing centers, however, the activities of the Northeast are no better than similar activities in other parts of the country. As elsewhere, farming is depressed. Quarrying suffers from the low ebb of construction. There has been considerable statistical improvement in the lumber industry, but volume and prices are still low. Nevertheless, the *position*—as contrasted with current income—of the rural population in this part of the country is considerably better than in other regions. Here, farming carried on as a living rather than a business has not resulted in as serious a debt question as currently grips the Middle West for example.

The manufacturing Central East continues the most depressed part of the country. Throughout Ohio and the industrial portion of Pennsylvania almost no perceptible improvement can be discovered. The infinitesimal rise in steel production and coal mining means nothing from so low a base, and can be attributed to seasonal factors. The automobile industry and all those which cater to it have been disappointing, for it was hoped that the undoubted improvement in sentiment together with the rise in security and commodity prices would make for a marked rise in output. Nevertheless, the region is not wholly devoid of signs of betterment. Wholesale and retail trade has been somewhat more active, while manufacturers of clothing, shoes and furniture report somewhat greater sales. Profit margins, however, continue low. The machine tool industry, while still thoroughly depressed reports some increase in inquiries for new equipment and quite a little actual business in spare parts.

In the South Atlantic states it is again the textile industry which shows the greatest improvement and which again has stimulated retail and wholesale trade. In general, however, agriculture continues in a bad way. The tobacco crop was a short one, but prices were only very moderately better. The cotton crop also promises to be short, although there is no evidence the grower will become even prosperous enough to make a moderate dent in his overdue fertilizer bill. The opening of the fishing season, however, will contribute shortly something to buying power.

In the Central South, wholesale and retail trade are seasonally better. Clothing manufacturers are reasonably busy. The iron and steel industry around the Birmingham district, however, is dormant at a very low level. Pig iron production in this district recently registered a record all-time low. Agriculture in general continues depressed.

The farmers' plight in the great central plain region is a serious one. A comparison of the quotations prevailing for grains, cotton, cattle and hogs with those of a few years ago makes the picture clear. If further evidence be needed such developments as the farmers' strike in Iowa provide it. While the oil industry at one time showed clear signs of regaining a firm basis, illegal production in East Texas makes the immediate outlook somewhat obscure. Nevertheless, in certain manufacturing centers some improvement has undoubtedly taken place. For example, St. Louis reports a pick up in shoe manufacturing and food products, while the drug and chemical industry closely approaches the rate of activity prevailing in 1931.

The mountain region continues hard hit by the lack of mining activity—with the exception of gold mining—and the low price which currently prevails for livestock. Almost the entire region, however, reports an increase in wholesale and retail trade of seasonal proportions. From

(Please turn to page 734)

After the Election—What?

How Business Views the Consequences of Defeat or Victory for Either Side

By THEODORE M. KNAPPEN

HAVING got its feet under it, slowly recuperating business is wondering whether the result of the approaching election will send it back to the sick-bed.

It is useless to deny that the business world, at least the big business world, hopes for Republican success, and fears a Democratic triumph. This state of mind is due largely to the fact that a great majority of the nation's business leaders are Republicans by tradition and conviction of self-interest. They are naturally conservative men by instinct and training, and the Republican party is the conservative party of this nation. Moreover, it is through that party that for some seventy years national economic policy has been in the main the policy favored by big business. Whether openly avowed or not, the Republican party has been of the conviction that if it served big business it was serving the best interests of the country.

1. Hoover may be re-elected with a hostile or partly hostile Congress.

2. Hoover may be re-elected with a nominally Republican Congress.

3. Roosevelt, if elected, will almost certainly have a Democratic Congress behind him.

Big business wanted sound money and the gold standard and it got them from the Republican party. It wanted high and higher protective tariffs and it got them from the Republican party. It favored an imperialistic policy in international finance and it got it from the Republican party. The party has sometimes disappointed it but in the main big business could always rely upon the Grand Old Party. While it is true that in recent years a sector of the business world has vainly favored cancellation of the political debts of the allied nations, less protection and more foreign trade, it has not despaired of ultimately obtaining these objectives in the same old alliance. With the exception of a showy and ephemeral revolt by Theodore Roosevelt every Republican incumbent of the White House since Andrew Johnson has been a safe man from the point of view of big business. Business has not felt that politics was a threat so long as the Republican party held the White House and the Capitol.

On the other hand, it has generally feared Democratic control of the government and has never been happy when that has existed. It has usually opposed all constructive acts of Democratic administration, the Federal Reserve, for example, and regarded the brief periods of Democratic rule as notable times of bad business, except, as during the war, when nothing could prevent or bring on bad times.

We are, therefore, confronted by the fact that if Roosevelt should be elected he will be inaugurated under a pall of business apprehension. If, on the other hand, President Hoover is re-elected business psychology will be favorable. Evil will be foreseen in the one case and good expected in the other. Hoover would go into a second term with the big business world confident and hopeful, while Roosevelt would be in some degree handicapped by doubts and misgivings.

The business world does not look far ahead or probe deeply into obscure changes in the minds of the masses. It counts on the inherent conservatism of the American people as perpetual. It does not concern itself with such shadowy ideas as that the people may be in a growing mood for profound changes in the political and economic structure, and that in the long run a Democratic victory might be a buffer against rapid and radical changes, by making mild ones before hope deferred has raised up a torrent of popular wrath. It does not consider that a victory for liberalism might restore the confidence of the American people in their institutions, renew their faith in democracy and the fundamentals of individualism, and inspire them with new hope and creative energy.

Withdrawing from these general considerations and getting down to what may concretely happen after election we are reminded that there are three possibilities in the result, according to the present outlook:

1. Hoover may be re-elected with a hostile or partly hostile Congress. 2. Hoover may be re-elected with a nominally Republican Congress. 3. Roosevelt, if elected, will almost certainly have a Democratic Congress behind him.

Congress Considered Lost

As things are going at this time cool and unprejudiced prognosticators consider that while the President has a chance of winning, it is exceedingly doubtful whether he will have Congress with him. It is held that Hoover, if he wins at all, will have such a close scrape that he will have no reserve power to lift his confreres over the barrier of the polls.

The possibility of a divided government is not a cheerful one. While it is true that notwithstanding a latently hostile majority against him in fact in both houses of the present Congress the President's reconstruction program in general prevailed, it must not be forgotten that there were many delays due to partisanship or lack of party discipline. As the last session neared its end there was virtually no trace of that truce to politics which had bathed the open-

ing days of the session in naive hopes of something approaching a coalition national government for the common welfare.

Adding the acerbities of the campaign to the hangover of enmity from the session, the next session of Congress will be bellicose and the first session of the new Congress is certain to be marked by irreconcilable personal and partisan animosities.

Assuming that this Congress will be in the grip of the Democrats, as it is almost certain to be, there will ensue two years of disheartening cleavage in the government. The President, being unable to initiate constructive legislation with any hope of adoption without severe mutilation, will necessarily become a negative and restraining factor in government. His great chance of valuable public service will be in the steady and stubborn exercise of the power of veto. An accumulation of vetoes will breed an accumulation of popular indignation, since many vetoes will dash the aspirations of every citizen, sooner or later. While the balance of popular favor might go to the President in such an endurance struggle with Congress it is hardly likely. As measure after measure professing to rescue the country from horrendous economic distress was consigned to the special White House waste basket reserved for waste bills the popular wrath would rise and boil, and the engendered heat might be sufficient to incubate revolt in the Republican party itself and bring about a fury of overriding of vetoes. Under these circumstances President Hoover would pass, on the fourth of March next, from a stormy year—in which national emergency plus patriotism, not yet eclipsed by partisanship, gave him the mastery of Congress—to two years of baffled futility.

Is the Presidency Worth Saving?

Unquestionably, all signs and omens warn that the most the Republican party can hope to extricate from the disfavor that has progressively overtaken it, as times have become worse or persisted in their badness, is the Presidency. That constitutes the best justification for Mr. Roosevelt's election. Conceding, for the sake of the argument, that sweeping Republican control of the next Olympiad would be most desirable from the point of view of business progress and stability, it is not unreasonable to hold that an all-triumphant Democracy would be better than partial Republicanism.

The renewal of Democratic party solidarity that would grow out of the geniality of success would tend toward conservatism because of the desire to avoid mistakes and grapple fast to newly gained power.

There is nothing in Mr. Roosevelt's political principles, in his speeches or in his record to arouse misgivings concerning his personal contribution to government. Left to himself and to his party's platform he could be counted upon as a safe President within the limitations of general party policy. Mellowed by responsibility, the Congress would be quite different from the undisciplined mob its members were in irresponsible opposition.

What Business Wants

What business as a whole desires and prays for is such a Republican victory as would return the President to power and give him a clear majority in Congress over both Democrats and insurgent Republicans. That is not likely. Such a victory would insure unanimity in government counsels and acts, guarantee reconstruction and recuperation along the lines laid down by legislation of the last session, which have the practically unanimous indorsement of the financial and industrial lords of the nation. So far as the effects of government on business trends are concerned recovery would receive a fresh impetus and business psychology (now all important) would be vastly strengthened in its growing optimism. It would not be too much to say that the velocity of recovery would be accelerated if not greatly augmented. There might even soon be a new Hoover cycle of prosperity.

Nothing comparable to this condition can be expected

from Mr. Roosevelt's election. In the first place there would ensue the four months of a dead duck Congress and Presidency. These would be months of incessant wrangling and governmental paralyses, relieved only by the fact that the reconstructive agencies now at work would undoubtedly continue in their well-defined channels. The Reconstruction Finance Corporation would still be on the job, with its policies somewhat liberalized by the approach of a new regime. The Home Loan Bank System would swing into action, Federal Reserve policies would continue as at present. The treasury would be undisturbed. But hovering over all would be a fear of what would happen after March 4.

The probabilities, then, are that following Democratic triumph there would be a period of doubt and hesitancy that would tend to retard business revival even in the face of indisputable evidence of fundamental recovery regardless of the political factor.

After March 4 there would be occasion for further hesitancy and inaction pending the first session of the new Congress, which would continue until it had proved its temper by its works.

A Chance for a Business Setback

If in the meantime it should be revealed that there was a strong chance that the Congress would favor legislation for the immediate payment of the soldiers' bonus, especially if accompanied by financing through new currency issues; a disposition to meet the serious budgetary problem through bond issues and currency inflation, rather than by drastic economy and increased taxation, business might have a grave setback, which might not be warranted by the eventual action of Congress. Indeed, the probabilities are that it would not.

If worse come to worse, it can be reckoned that there will always be a conservative Democratic minority strong enough to defeat the extreme demands of radicals intent upon dangerous experiments. But the fact remains that worry over what does not happen is often more depressing than the harshest events.

Passing from the neutral interim of "deaduckery," with its drab promise, to the incidence of Democratic rule over a period of two and, perhaps, four years, we come to a consideration of what may be expected from such a regime in view of its historic character and its present platform. The one outstanding fundamental difference between respective party declarations and records is to be found in the tariff issue. The Democrats have frankly declared for a revenue tariff to be so shaped as to make the American market a competitive one. Taken literally, this means the abandonment of protection. Campaign speeches and the Democratic course in the last session of Congress indicate, however, that in practice the intention is to modify present high tariffs by a series of reciprocity treaties, designed to open up foreign markets as the bars to the American market are let down.

Here the Democrats strike hands with a growing element in the world of big business. It is undeniable that the financial powers of the country are more and more convinced that the best prospect for further expansion of the American business realm is in a hand-in-hand advance of American capital and industry into foreign trade. At the same time they are skittish of abrupt measures which would unsettle the domestic market. The Democratic proposal for gradual reconstruction of tariff schedules appeals to them. They are so distrustful of the party, however, that the most that can be expected of them would be a hopeful acquiescence in and quiet support of discreet measures looking to tariff revision downwards, which might gradually build up some degree of alliance between them and a dependable Democratic administration. In forward looking Democratic planning there is a distinct hope that the progress of the nation in the international scene has reached a stage such that over a period of time the historic favor of the party for promotion of foreign trade may eventually make it the favored political vehicle of big business. But that is a long way off. At the present the party is the ogre of the political dreams of most of the business leaders, even when its professed views coincide with theirs. Nevertheless, the time approaches when a large section of the great interests of the country will call for a showdown on the issue of self-containment versus expansion of world trade. The Democratic platform makes a specific declaration against economic isolation; the Republican platform declares for more protection.

Rivals in Conservatism

Aside from the tariff the Democratic platform is fully as conservative as the Republican in what it says, and more so in what it omits to say. Actually, if Mr. Roosevelt should be the next President he would be less bound and limited by formal party pledges than Mr. Hoover. The Democrats are pledged to sound money, they are not committed to immediate payment of the bonus, they promise rigid economy, they declare for a minimum of governmental invasion of business. The one real chasm between the parties so far as their platform statements go is that of the tariff. That being the case, it may be argued that in view of the public unrest, the lack of confidence in

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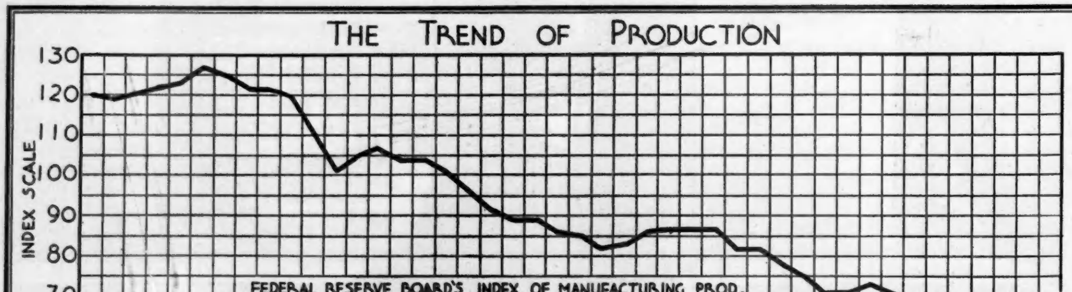

Keystone-Underwood Photo

The R. F. C. Board in Session

The Reconstruction Finance Corporation—A Great Experiment

How the Colossal Venture of the Government Into Private Business is Working Out

By John C. Cresswill

IN the spring the prophets of gloom said:

"There are only three chances in five that the United States will get through the summer without a universal financial conflagration."

The monetary woods were as dry as tinder, the air was hot and arid, strong winds were blowing and sparks and brands were flying from the fires of hundreds of bank failures. It was touch and go whether the local fires could be put out before, under the prevailing conditions, they would suddenly explode into a general financial forest conflagration, the like of which the Republic had not seen since 1837, when every bank outside of New England suspended.

In Washington there was a fire department planned to fight money and credit fires. It had thirty-two branch stations throughout the country. All night long, night after night, following a day of failure-fighting, men stood guard at telephone and telegraph offices waiting for alarms. They came, came time and again. Many a night the tired fire fighters were aroused from their beds and called to the central station at Pennsylvania avenue and Eighteenth street, N. W., to listen to some such report as this:

"The First National Bank of .... will not be able to open its doors tomorrow morning unless it receives a loan of $1,000,000 from the Reconstruction Finance Corporation. If it suspends all the banks in the state will go down."

Immediately orders were flashed by wire and telephone to examiners and regional offices to procure and examine the wounded bank's collateral, check its condition as known to the office of the Comptroller of the Currency, have funds ready at the nearest Federal Reserve Bank and airplanes in readiness if necessary.

"Ask the directors of the bank to be at their table at 5:30 tomorrow morning," instructed the chairman. "That will be 7:30 here. Gentlemen, will you kindly meet here again at that hour."

Four hours later the weary directors were back in their board room. Simultaneously the worried and haggard directors of the trembling bank out in the short grass country were assembling in the long shadows of a cold highland morning.

Swiftly the Reconstruction Finance Corporation directors disposed of obstacle after obstacle and met detail after detail. By 9:30 the job was done and the million dollars was on the way.

"Call up Mr. Smith at .... and tell him to ask the neighbors to come in and help themselves," a clerk was, perhaps, facetiously told.

At 9 o'clock a radiant group of bank officers gave cordial

greetings to a dust covered queue of ranchmen and merchants entering the First National Bank of ....

"If I'd only known this I wouldn't have druv all night across the alkali flats to git here," said the head of the queue.

That fire was out.

In June and the first part of July the alarms were coming in so fast that it seemed at headquarters that no human power could prevent all-embracing ruin of the greatest economic structure the world has ever known. The critical peak was reached when a great bank in Chicago began to burn in June, and sparks fell on the roofs of its neighbors. A deluge of money from the Reconstruction Finance Corporation saved it. Since then the alarms have been less and less frequent. The remaining fires are under control or segregated. Repayment money is coming in faster than rescue money is going out. The crisis is over.

The Reconstruction Finance Corporation has accomplished its original purpose to save the nation from a sweeping money and credit panic, which, it is calculated, would have overthrown perhaps fifteen thousand of the country's 20,000 banks, and nobody knows how many insurance companies, building and loan associations and great business concerns.

The Reconstruction Finance Corporation has justified all expectations of it in respect to emergency aid to financial institutions and must be given the lion's share of the credit for breaking the bank panic and restoring public confidence in the dollar. On the other hand it seems probable that the extent and celerity of its aid to industrial recuperation and employment will be disappointing. As this is written only two major and one minor self-liquidation projects have been authorized. The Corporation has proceeded conservatively and still has more than half of its total funds in reserve.

Having gained control of the destroying fire Congress entrusted the Reconstruction Finance Corporation with the task of reconstruction. Two tremendous additional responsibilities were assigned to it. It was authorized to lend 300 million dollars to states, counties and municipalities for public relief and as much as it might require of 3,500 million dollars, not otherwise used under its earlier authority, to finance public self-liquidating enterprises as well as like enterprises of a private nature but with a public interest. Its original authority gave it power to make loans to commercial banks, savings banks, trust companies, building and loan associations, insurance companies, railroads, mortgage loan companies, Federal Land Banks, joint stock land banks, Federal Intermediate Credit banks, credit unions, agricultural credit corporations and live stock credit corporations. It was also instructed to turn over to the Secretary of Agriculture as much as 200 million dollars for seed loans to farmers without funds to make crops. These powers continue, but now with its recources increased from 2 billion to 3.5 billion dollars, the corporation is authorized to lend to public and private agencies for self-liquidating projects, such as bridges, water works, tunnels, canals, housing, and markets, and for the carrying and orderly marketing of agricultural commodities and livestock, reforestation, and the financing of the exportation of surplus agricultural products. Moreover, the Reconstruction Finance Corporation is entrusted with the work of supervising the abovementioned relief loans.

The purpose of the self-liquidating loans and also of the loans made to railways for construction and equipment purposes is also primarily one of relief, as their utilization is expected to give employment to many hundreds of thousands of men and to stimulate general business activity. The theory is that the expenditures involved will constitute a starter for the torpid business life of the country and animate credit, partly restored potentially through the rescue work of the corporation and the open market operations of the Federal Reserve Banks, as well as by reviving confidence. Credit has been described as something that must be in active demand as well as in need before it will function. It is hoped that the construction loans of the Reconstruction Finance Corporation will initiate an active demand for loans of a bankable character. The second chapter of the history of the Reconstruction Finance Corporation is thus the complement of the first.

The latest figures available as this is written show that under the original authority of the corporation 7,559 loans were authorized to 5,608 institutions, totalling roundly 1,345 million dollars. Of this sum 824 million went to 4,715 banks and trust companies. Forty-three railroads have received 71 loans aggregating 227 million dollars. Loans amounting to 81 million dollars have been made to 643 building and loan companies, 72 million dollars have gone to 79 insurance companies, and loans of varying amounts have been made to Federal and Joint Stock Land Banks, mortgage loan companies, agricultural credit corporations, livestock credit corporations and credit unions.

Fifty million dollars have been advanced to cotton co-operative and cotton stabilization corporations to enable them to hold their cotton until 1933. Moreover, 507,000 farmers have received advances of more than 64 million dollars through the Secretary of Agriculture.

The Reconstruction Finance Corporation has been buried under applications for loans for several hundred allegedly self-liquidating projects and inquiries are coming in at the rate of 125 a day. But as late as October 1, it had finally approved only two major applications.

Causes of Delay

Many applications are ruled out because they are rather applications to finance past construction than to give present and future employment. Some are entirely without the limitations of the corporation's authority. Most of the rest are not in a satisfactory form at first. Public bodies seem to think that because it is public money that is involved about all they have to do is to wire that they are ready to go ahead with a self-liquidating project and "please remit." It takes time to put disorderly applications in order and more time to make judicial investigations of them. The result will be in the end that the construction work that is to flow from this emergency financing will be slow in getting into action and important volume. The country will be disappointed in this respect; indeed it is already disappointed, for it sees another winter of distress approaching with but a modicum of the publicly financed work under weigh.

It is practically certain that nowhere near the total sum at the disposal of the Reconstruction Finance Corporation

for starting business activity and giving employment will be released before the expiry of its authority in this respect, which will be in January, 1934. This will be a cause of deploration if not of indignation to many people, who had hoped that the Reconstruction Finance Corporation would hasten to its work of reconstruction with the same elan that characterized its rescue work.

Others will approve the deliberation and discretion with which public funds are being put out. The Reconstruction Finance Corporation made no loans to financial institutions which it does not expect ultimately to collect. It intends to make no capital loans that will not be repaid unless the nation should ride into revolution or virtual material ruin.

Tax-eaters may roar as their prospective feasts at the public trough are reduced, but taxpayers will rejoice that the money and credit which they are providing are not to cost them a cent in the end.

At the same time it will be a miscarriage of reconstruction if legalistic niceties and petty prudence are permitted to thwart a great economic strategy, flout the will of Congress and deny help to convalescent business and desperate labor.

Minor Self-Liquidating Projects

However, while many of the great housing and utility projects that are under consideration may be slow to develop, it should not be forgotten that there are hundreds of minor projects which are held up only temporarily and that will hereafter culminate in shoals.

No eligible public project is beneath the dignity of the Reconstruction Finance Corporation. Just as 70 per cent of its financial relief loans were made to institutions in towns of 5,000 people or less, so will a generous proportion of the construction loans go to little enterprises. A loan of $1,000 was made to a little building and loan association and one of the first construction loans made was for $105,000 for an addition to a municipal electric light and power plant in the little city of Madison, S. D.

The Reconstruction Finance Corporation, having only 300 million dollars with which to finance direct unemployment relief in a nation of 130,000,000 people must also proceed cautiously in disbursing that fund. It is but a drop in the bucket, and yet if it is not administered prudently it may make the problems of dependence worse than they are. Without a doubt private contributions to community chests and other agencies of charity and mutual help will be curtailed because of the existence of the Federal emergency fund—and yet it is only intended to meet a deficit. It is only by slow, cautious and even suspicious action that local public bodies can be forced to go to the limit of local relief sources before they tap the last resort at Washington. Although relief applications have come from or from within some thirty states only 35 had been granted as late as the first week in October—with a total advance of 33 million dollars.

R. F. C. Loans and Advances in Its First Seven Months

Total authorized	$1,543,000,000
Actual cash paid out	1,182,000,000
Loans cancelled by borrowers	35,500,000
Balances to credit of borrowers	190,500,000
Relief advances to political subdivisions	34,500,000
Repayments of loans	151,000,000
To Secretary of Agriculture for farmers	75,000,000
Actual loans to 507,000 farmers	64,000,000
Loans to 5,548 banks and other financial institutions	1,101,000,000
Loans to 49 railways	243,000,000
Total loan and advance capacity	3,800,000,000

In addition to above the R. F. C. has agreed to take or bid for bonds of the Metropolitan Water district of Southern California, the Public Belt Bridge of New Orleans and the municipal power and light plant of Madison, S. D., up to a total of $53,105,000.

At the moment the Reconstruction Finance Corporation is wrestling with a novel proposal—unlike anything it has hitherto dealt with, and one that may set a momentous precedent. It is considering lending 15 million dollars to the Chinese government to be expended in purchasing American wheat. This proposal recalls that THE MAGAZINE OF WALL STREET more than a year ago suggested the sale of American agricultural surpluses in regions where no commercial demand would be affected. It recommended long-term credits of private origin, however, as preferable to the employment of public credit which the Reconstruction Finance Corporation loan would of course involve.

While urban populations will be more interested in the probable financing by the Reconstruction Finance Corporation of monumental plans for the reconstruction of slum residential districts, the rural regions will be more interested in the wholesale financing of individual agrcultural operations, to be effected largely through subsidiary regional agricultural corporations, of which ten have been created. These constitute practically a new rural loan bank system. It would have been a huge job for any governmental department or commission to undertake by itself. But it is only one more heavy job for the Reconstruction Finance Corporation. Each corporation has a minimum capital of $3,000,000 provided by the Reconstruction Finance Corporation. It can finance any legitimate form of rural production or commerce. It can help a farmer without livestock to buy them, and a farmer without feed to purchase it. It can advance money for making a crop, and more for holding it, etc. The notes taken by these regional agencies can be discounted with the Reconstruction Finance Corporation, the Federal Intermediate Credit Banks or with Federal Reserve Banks, thus permitting of great snowballing in credit capacity of the original capital.

Criticisms of the Reconstruction Finance Corporation

While it is to be deplored that Reconstruction Finance Corporation could not have touched a button and put a million men and two billions of dollars to work it must not be forgotten that Congress, reckless as it often is, has fits of remembering the value of money, even public money. It didn't propose to have Reconstruction Finance Corporation money thrown over the transom for callers who were too hurried to come in. Of course, a prescient government would have worked out a work-creating plan ten years ago and had it ready to roll into action when the proverbial button was pushed.

The Reconstruction Finance Corporation must take some time to assure itself that there is a reasonable certainty that Uncle Sam is not going to lose permanently when spending exceptionally. If the depression should turn out to be a cataclysmic affair the Reconstruction Finance Corporation and all its works and assets would go down in the general ruin. That supreme risk is acknowledged. Otherwise, it is expected that in the end Uncle Sam will not lose a cent through this great adventure.

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Henry Ziegler Etching

Two Companies With Confidence

The Westinghouse Electric & Manufacturing Co. recently announced its purchase of 4,000,000 pounds of copper, an amount substantially larger than required by immediate needs. The International Harvester Co. has purchased 1,000,000 yards of cotton duck, also more than immediately needed. This departure from hand-to-mouth buying methods by two of the largest industrial enterprises in the country is of unusual interest and of possible significance. Previously in the depression there have been spurts of forward buying, with the policy soon proven mistaken. The chances of mistake, however, now appear to be remote. Prices of most raw materials, and notably copper and cotton, are not only below the 1913 level that even the most abject pessimist would regard as normal, but are also undoubtedly below the average production cost. Such circumstances, together with the actually stronger movement of commodities in recent months, suggest that further deflation is improbable and that future movement is likely to be toward higher levels. In the two instances here cited, forward buying not only appears to be soundly based but may be taken as a vote of confidence in the business prospect. It is an example of faith to which other companies may well give attention.

Things To

The Infant Industry Rides Out the Storm

It would be logical, perhaps, to expect acute depression to play havoc with new and unseasoned industries. It would be logical to expect devastating pressure from two directions: first, the lack of adequate financial resources, such as can be accumulated over the years in seasoned industries; second, the shrinkage of public demand. Yet aviation, but recently entered the true commercial stage, appears to be riding out the economic storm in surprising manner. There are two chief reasons. The boom-era promotion of aviation companies and the temporary period of heavy sales to the Government in its five-year program of military aviation expansion left a fairly large number of companies with liquid assets which now stand them in good stead. Secondly, the public demand for air transport service has not only been maintained but is showing remarkable gains. This year has seen an approximate doubling of the number of passengers transported, as well as an increased volume of mail and freight. Earnings from such operations are far smaller than those formerly obtained from heavy sales to the Government. Moreover, successive reductions in air mail rates constitute a handicap. Time will be required to obtain satisfactory profits from these services, but the primary fact is that three years of depression have failed to check the progress of aviation.

Industry Tackles Unemployment

President Hoover's advocacy of measures which will provide a more equitable distribution of available employment have focused an increasing public attention on this problem. In the long run, of course, under our existing economic system it can only be solved by industry itself. It is gratifying that a start is now being made in various industries. Under the leadership of Walter C. Teagle, the oil industry is participating largely in the "Share-the-Work" movement. The Standard Oil Co. of New Jersey is operating on a five-day week and has otherwise taken measures to assure employment to the largest possible number of workers. The American Petroleum Institute has recommended to the industry that all existing seven-day work schedules be permanently reduced to six days and as an emergency measure has recommended a forty-hour week. James H. Rand, Jr., chairman of Remington, Rand, Inc., urges all employers to boost their payrolls for an experimental period of at least sixty days as a means of increasing purchasing power. This

company has already materially increased its inventories and payroll. Its policy is in line with the logical economic theory that improvement in purchasing power must precede sustained improvement in consuming demand and that it can only originate in primary markets.

Japan's World Defiance

There may be something of epochal significance in the defiance by Japan of the Lytton Commission's report on the Manchurian problem. It may mean the withdrawal of Japan from the League of Nations, leaving that body a western league to which will be opposed Japan and Russia, standing for the Orient—with China torn between them. The United States will, of course, stand with the League —and that may lead ultimately to our membership in it. We hope not.

The world is not yet ready for a super-state or a final definition of national boundaries. Until world patriotism overtowers national patriotism and every man is a free citizen of the world it is futile and foolish to attempt to decree that the powerful must not exert their power and that the weak shall be protected in their inefficiency.

The League can not be both the exponent of pacifism and the dictator of the world. The time will not be ripe for a real League until the members of it are ready and willing to back their decrees with force. To attempt to dictate to Japan with neither the will nor the power to compel obedience is but useless disturbance of the peace of the world. Under the old international regime this Manchurian business would have been settled by military intervention. Japan would have taken a licking or given one. Now there is nothing but impotent scolding. Japan will have her way in sullen mood and the western powers will resentfully allow it to her. After all, Japan is merely following the destiny decreed by inherent forces, brutal as it may be. So long as we have national organisms they must follow the laws of growth and decline. The principal use of the League of Nations in the field of international politics is

Think About

to demonstrate that the world can not be even remotely one in policy until there is first a world unity based on an essential harmony of national policies.

Peak Load Plants a Burden

Debt and over-capacity stand out among the burdens of depression. The two are closely related. In the past it has been common practice for manufacturers, seeing an increase in business, to go out, borrow money, and build a new plant which was not only capable of taking care of the actual increase in business, but more besides. Should prosperity become a boom, all is well for a time. But when inevitably business slackens, there is the devil to pay. The manufacturer faced by declining demand is unable to curtail production, for it is only by a high rate of activity that he can pay interest and other charges on his new plant. This brings about a price decline, which in turn brings about even greater activity on the part of the manufacturer as he attempts to maintain dollar income. The results are disastrous, for him, his employees, his debtors, and the country at large. How much better for everyone it would be if a manufacturer, receiving more business than he could conveniently handle with his existing plant, exhausted every expediency before giving way to the urge to build additional plants. He might work 24 hours a day, Saturdays included. He might hire more men, or sublet part of his orders. Anything to avoid plant expansion. Even though this method appeared to be less efficient for a time, it would be the means of avoiding many headaches when depression came around again. Indeed, it is hardly too much to say that a well-managed company is one whose capacity corresponds with normal business, while it is a sign of bad management when a company is permitted to possess a plant capable of taking care of boom business. The former negotiate depression's road with ease, but the littered wrecks of the latter are a hindrance to everyone.

Railroad Expenses Reduced

It cost $2,604,023,729 less to operate the railroads in 1931 than in 1920. The total operating expenses in 1931 amounted to $3,223,567,417, a reduction of 18 per cent below 1930, and a reduction of 28 per cent below 1929. During the present year the costs of operation will be more that 25 per cent below those reported for 1931.

What the public paid for railroad transportation last year through rates was $692,581,000 less than in 1921. Since 1921, reductions have been made in the general level of freight rates and in the last ten years have saved the public $7,275,599,000. In other words, if the freight rates of 1921 had remained in effect, the public in the last ten years, would have had to pay $7,275,599,000 more than they actually paid to the railways for the same amount of freight transportation. Therefore, a large part of the economies which railroad managements have affected in the cost of producing transportation have been passed along in reduced charges for transportation.

In the past ten years, the railways of the country have spent $7,532,901,000 in enlarging and improving their properties. These enlargements and improvements were made by the roads to keep pace with the growth of the country and to increase the efficiency and economy of railway operation.

Back in the early part of the year 1923 the railroads adopted a program to provide adequate transportation service. All the plans adopted at that time have been and are still being carried out. The improvement in the transportation plant and the expansion of its capacity, including improvements in and additions to railway facilities, locomotives and cars, involve great capital expenditures made largely from borrowed money. These capital expenditures, by years for the past ten, with an estimate for 1932, follow.

1922	$429,273,000	1927	$771,552,000
1923	1,059,149,000	1928	676,665,000
1924	874,744,000	1929	853,721,000
1925	748,191,000	1930	872,608,000
1926	885,086,000	1931	361,912,000
1932 (est)	$250,000,000		

While capital authorizations for locomotives and cars were somewhat less in 1931 and in 1932 than the capital expenditures in 1930 for the same items, there was an increase in 1931 over the preceding year in the amount of capital expenditures authorized for other improvements, which include improvements to roadway, structures and extension of line.

¶ *At a time favoring the return of small businesses and when the largest measure of improvement is notable in this field—*

How Are the Giants of Industry Faring?

General Motors United States Steel
American Telephone & Telegraph Atchison

By Harold T. Rutherford

BUSINESS improvement thus far centers very largely in the lighter industries and in the smaller companies. In many instances there is the striking contrast of a huge company losing money and a small competitor making money. The picture is not statistically clear, for the small concern is privately owned, issues no earnings statement and has no listed securities.

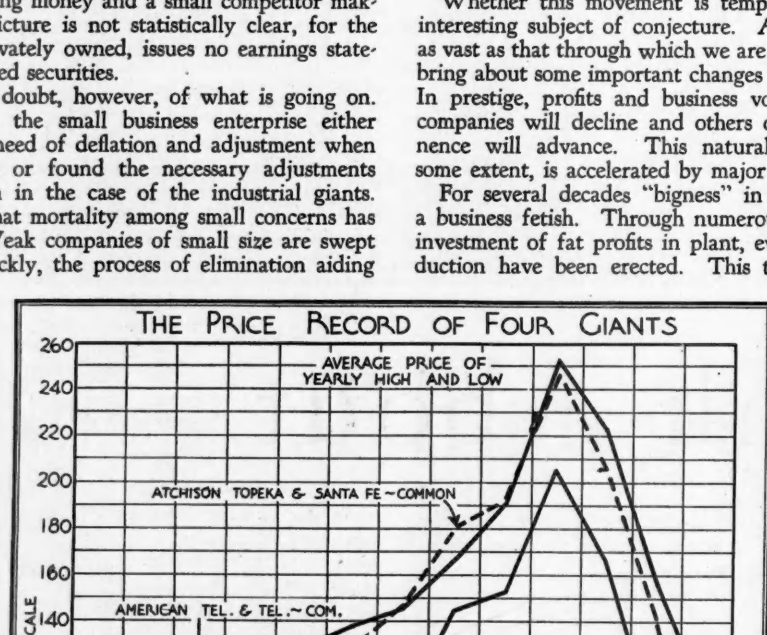
There can be no doubt, however, of what is going on. Generally speaking, the small business enterprise either found itself less in need of deflation and adjustment when depression came on or found the necessary adjustments easier to make than in the case of the industrial giants. This is not to say that mortality among small concerns has not been heavy. Weak companies of small size are swept out of existence quickly, the process of elimination aiding especially those small competing enterprises which are conservatively financed and efficiently managed.

Enterprises of the latter type are now showing the results of certain specific advantages as compared with large companies. Without excessive investment in property or plant, they find it relatively easy to reduce overhead charges. In most small companies labor is not unionized and wages have been quickly adjusted downward. Above all, however, the small company is equipped to deal profitably in small volume, whereas depression volume for large industrial enterprises means an unprofitably high unit cost.

Whether this movement is temporary or not offers an interesting subject of conjecture. An economic disruption as vast as that through which we are passing will necessarily bring about some important changes in the business pattern. In prestige, profits and business volume some established companies will decline and others of little present prominence will advance. This natural flux, ever-present to some extent, is accelerated by major depression.

For several decades "bigness" in this country has been a business fetish. Through numerous mergers and the reinvestment of fat profits in plant, ever-vaster units of production have been erected. This trend accorded with a rapid population growth factor which no longer exists. It was violently accelerated by the production demands of the war and of the post-war boom.

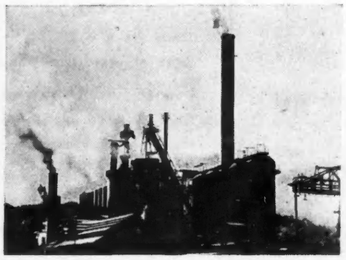
Whether our productive capacity is seriously excessive in relation to the longer future can only be a subject of academic debate. There appears to be little doubt, however, that it is excessive in relation to the probable demand of at least the next several years. This means that a substantial total of property investments must be written off as



dead losses and that fixed charges otherwise must be reduced. It probably means a period of relative advantage to the small company and a definite check, whether temporary or not, to the physical expansion of the giants. Their problem in the main appears to be to attain a more efficient and profitable use of existing facilities.

It would be absurd, of course, to fear the disintegration of the business giants which have grown up in this country in the past thirty years. The majority are strongly situated, even though geared to operate profitably only on a volume of business materially greater than is now available. The business evolution now under way is less of a threat to them, than a challenge to managerial resource and ability.

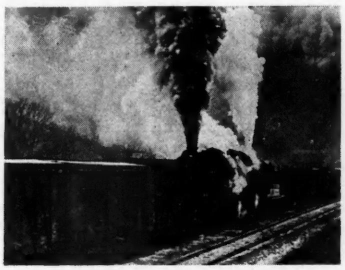
How is this challenge being met? Some clue may be had from brief consideration of the current position and prospects of some of the largest corporations. For this survey let us select four of the biggest corporate enterprises in the country: United States Steel, General Motors, American Telephone and Atchison. These companies represent four different industries, and are therefore subject to widely varying conditions. The only thing they have in common is great size and a tremendous and widely disseminated public ownership. Their respective positions, however, may be taken as a measure of the present position of big business.

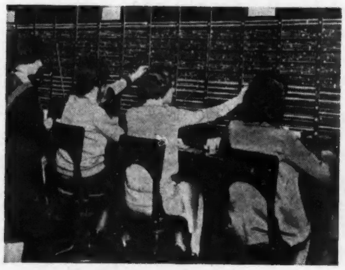


Number of Common Stockholders

General Motors	341,490	6/32
U. S. Steel	190,024	5/32
Atchison	41,784	12/31
Amer. Tel. & Tel.	712,000	6/32

The steel industry has made fabulous profits in the past three decades, but a very large—possibly excessive—proportion of its earnings have been reinvested in plant facilities. In past years rapid expansion was justified by a virtual doubling of steel demand approximately every ten years. In recent years expansion has been dictated by the spur of competition and by the urge to seek lower costs through new and more efficient facilities. The result is a mixed one. It is an open question whether the savings effected are sufficient to offset the burden of carrying idle facilities.





The productive capacity of the industry is now estimated at 70,000,000 tons of steel a year. In 1929, year of maximum demand, output was but little more than 56,000,000 tons. Whatever the future may hold, it is obvious that the next few years will see intense competition, the effect of excessive facilities being to impose a check upon profits.

In this difficult situation there is no doubt that the position of the United States Steel Corp. is impregnable. This statement has no reference to reported earnings or to dividends, both of which are less important under existing conditions than many security owners imagine. Few stockholders realize to what extent the reported earnings of a company of this magnitude depend upon the accounting methods used. No company is more conservative than Steel in its write-offs and charges.

For example, during the period 1902-1931 the company charged off $2,115,000,000 for maintenance and $1,224,000,000 for depreciation, a total of $3,339,000,000 before reporting earnings. As a result of these huge expenditures, almost entirely out of surplus earnings, the company's ingot capacity was increased from 9,425,000 tons in 1901 to more than 26,000,000 tons at the close of 1931, but while capacity has nearly tripled in this period, the striking conservatism of the company's property account is shown in the fact that it increased only from $1,298,000,000 on the 1901 balance sheet to $1,683,000,000 on the 1931 balance sheet. It would be quite possible for lower write-offs in coming years to be reflected in higher reported earnings, quite aside from the course of business.

United States Steel is pre-eminently a company of large reserves, although its cash holdings are substantially lower than the average of past years. This is due to the large expenditure of surplus cash several years ago in retiring virtually all of the parent company's funded debt and the major portion of that of subsidiaries, to further heavy plant expansions throughout 1930 and 1931 and the payment of unearned dividends. At the close of 1931 the company's cash totalled approximately $75,000,000 and marketable securities $69,000,000. Due to operating losses and further dividend payments, it is to be doubted that the cash item today exceeds $50,000,000. It is this shrinkage which casts some doubt on the prospect for maintenance of the present preferred dividend.

There is strong reason, however, to assume that a dividend lapse on either Steel preferred or common may be regarded as temporary. The company's present major adjustments to new conditions did not begin with the depression. The enterprise has actually been reconstructed internally in the five years since 1927, when important managerial changes were made.

Its program has followed three lines—bond retirement, revamping of plant facilities and reorganization of personnel. During this five-year period the company has scrapped much obsolete equipment and has expended some $400,000,000 on new and efficient facilities. It is estimated that annual operating charges today are fully $200,000,000 less than in 1927. Some of the specific savings are $100,000,000 in wages and salaries, $28,000,000 in interest charges and $65,000,000 in depreciation.

On the present low volume of business it is impossible to measure the real significance of the reduction in costs, but a major portion of it is very likely to become permanent. It would not be surprising if in the future an operation at 50 per cent of capacity would yield earnings sufficient for the payment of dividends on both classes of stock. As compared with smaller companies, overhead operates to the company's disadvantage at present, but the reverse

will be true in any normal business recovery. With its strong reserves, diversification of products and widely distributed facilities, Steel is certain to remain a giant and to swing again from pauper to prince.

The position of General Motors, which had the distinction between 1923 and 1930 of paying out the richest total of dividends by any one company in the history of industrial enterprise, is good or bad according to one's perspective. If judged by current earnings, which have virtually vanished, the position is bad. But if one is sufficiently optimistic to assume that the depression will ultimately end, that business will improve and that the accumulated demand for replacement of worn-out automobiles will express itself, then what stands out about General Motors is that three years of hard times have not only failed to impair its strong working capital position but have seen its cash resources increase and its trade status in the industry widened.

The company is stronger and more efficient now than ever before. It has eliminated less profitable models of cars, concentrating on its popular products. Similarly, it has followed a program of intensive plant consolidation. As with other large enterprises, the present low volume of business tends to obscure the significance of the actual cost reduction attained. It is quite certain, however, that the rate of recovery in profits during the next period of business revival will materially exceed the rate of gain in gross volume.

Four Giants With Giant Assets

United States Steel	
Total assets	$2,279,802,813
Cash or equivalent (estimated)	120,000,000
American Telephone	
Total assets	5,024,335,551
Cash or equivalent	290,000,000
General Motors	
Total assets	1,300,267,221
Cash or equivalent	213,000,000
Atchison	
Total assets	1,267,643,893
Cash	19,814,997

Like United States Steel, General Motors is noted for the conservatism of its accounting policies. It has the great business advantage of a relatively low fixed property investment, in relation to the large volume of business handled. Thus, out of total assets of $1,247,190,538, as of June 30, real estate, plants and equipment are carried at only $599,136,746. Indeed, after the depreciation reserve of $254,541,897, property account stands at less than $350,000,000. In the five years 1926-1930 surplus earnings available for re-investment in the business, after payment of dividends, amounted to approximately $360,000,000. There is no funded debt. Holdings of cash and United States Government securities total more than $213,000,000. This proportion of liquid resources to fixed investment is unusually large.

Of the industry's total sales of cars in 1929, General Motors had 32.6 per cent; in 1930, 34.4 per cent; in 1931, 43.2 per cent; and in the first half this year, 44.9 per cent. In short, in an industry of the most intense competition, General Motors dominance has increased. The manner in which its trade position has been maintained and its impressively large and liquid resources would appear to give it virtually as impregnable a status as any industrial enterprise can ever attain.

This is not to say that the outlook is in every respect bright. As the result of the rapid exploitation of a boom market in the decade after 1920, the motor industry suffers from a condition of over-capacity. In the aggregate some of the capital re-invested in plant expansion will be lost. Ultimately, some of the weaker units in the industry will pass out of the picture, either through extinction or merger. Past profits have been large, however, and most companies have sufficient reserves to continue in the battle for business at least for several years.

No company is better equipped than General Motors to come through competitive difficulties. Given the fulfillment of anything like a normal domestic replacement demand for cars, it would have no difficulty in earning reasonably satisfactory profits. Although it is definitely past its phase of greatest expansion, it has the prospect of becoming a relatively stable profit-maker. Moreover, this company's management long since made it something more than a motor enterprise. Its Frigidaire division is an important source of revenues and its refrigerating operations are now extending more broadly to the fields of house-cooling and air conditioning. It is joint owner with Standard Oil of New Jersey of the Ethyl Gasoline Corp. Finally, through large investment in Bendix Aviation and the Fokker Aircraft Corp., General Motors has an aggressive stake in the immeasurable possibilities of aviation. It ranks high among the corporate giants whose supremacy is virtually certain to be maintained.

In point of service to the public, physical assets and number of security owners, American Telephone ranks as the world's premier enterprise. Its common stock is one of that small minority which, after three years of depression, can still be considered as of investment rank. Because of its monopolistic character and the essential importance of the service furnished, no company could occupy a more dominant or assured position.

In the nature of this business it was, of course, to be taken for granted that in depression telephone earnings would hold up relatively well. Profit for this year may be estimated at, roughly, $8 per share, as compared with $9.05 per share in 1931; $10.44 per share in 1930; and $12.67 per share in 1929. It is obvious that, barring an early and vigorous business revival, this shrinkage, even though relatively moderate, casts some doubt upon maintenance of the $9 common dividend, which has been paid since 1922. Yet if the dividend were cut to $7 the investment return on the current price of 104 would still be handsome.

Moreover, from the point of view of the investor seeking long-term safety, the reported earnings of American Telephone are a very imperfect reflection of the actual strength of the company. Thus, in 1931 depreciation charges amounted to more than $192,000,000 and current maintenance charges to more than $177,000,000, the total of $369,000,000 constituting approximately one-third of total revenues of $1,075,000,000. These unusually conservative charges amount to more than $20 per share of common, or more than double reported per share earnings.

It is only this year that the full effects of depression have been felt by the company. It has lost altogether more than 1,000,000 telephones, but the remaining total is still higher than that of 1929. Undoubtedly, the greater part of this shrinkage can be considered temporary. On the other hand it appears quite likely that the rate of long-term expansion in telephone service has passed its peak in this country. During the 1920-1930 decade the number of telephones in use almost doubled. In relation to a more

(*Please turn to page* 727)

BONDS

Bond Market Uncertainties Increase

Unbalanced Federal Budget Is an Obstacle to High Grade Issues and Speculative Bonds Need the Support of Business Revival

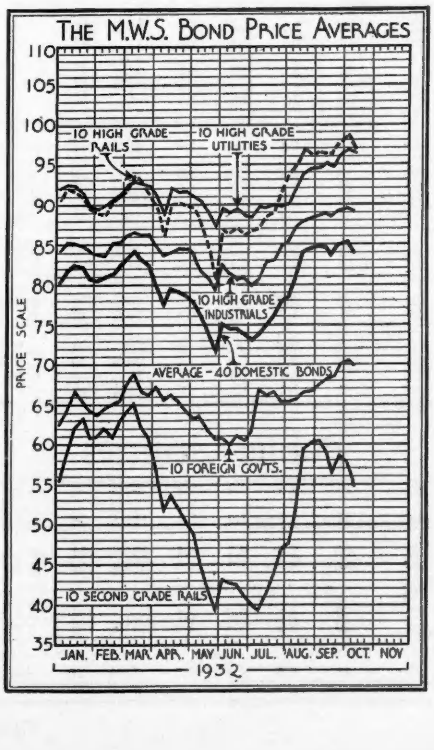
By J. S. Williams

A SLIGHTLY weaker general tone and increasing irregularity characterize the current performance of the bond market. In the case of the highest grade bonds, reactionary tendencies are too modest as yet to be regarded as significant, especially since many such issues had only recently mounted to new high prices for the year. In the hesitant action of second grade bonds we have merely a continuation of the more sober trend evident for nearly six weeks.

Gilt-edged bonds have many factors in their favor. Credit has become increasingly easy under such genuine influences as a steady gain in our gold holdings and a substantial decline in currency hoarding. Member bank reserve balances are at an exceptionally high level, which is the goal sought by the Federal Reserve in its open market operations. In theory, there should be a strong inducement for the banks to put their surplus funds to work. Such a movement should find early reflection in improved demand for the best bonds.

Some such demand no doubt has already made itself felt, as indicated by recent establishment of new high prices in such favored issues as Atchison general 4s, Union Pacific first 4s and New York Telephone 4½s, but in the main the banks and other institutional buyers still incline to the side of caution. The chief demand of these buyers is for prime short-term issues, of which there is a decided scarcity of supply.

Although credit factors throw a highly favorable light on the long term course of prime investment issues, some intermediate obstacles are now clearly looming up in their path. This possibly accounts for the slightly more hesitant action displayed by high grade bonds at this writing. The market can hardly have clear sailing as long as our Federal finances remain in their present status of uncertainty. While voters are being told of the great achievement of balancing the budget, the fact is that it has not been balanced. The deficit thus far in the fiscal years exceeds that for the corresponding portion of the previous fiscal year.



It is obvious that by December Congress will be forced to consider a far-reaching revision of taxation, extensive economies or both. Moreover, a determined agitation again will be heard on the inflationary proposal regarding a veterans' bonus. These factors, together with the ever-present potentialities of Congress to indulge in frightening deliberations, may well influence investors to defer decisions and commitments until later in the year.

While little concerned with favorable credit factors, second grade and speculative bonds would undoubtedly be affected by adverse political developments. In general, the influences at work on this part of the list are much the same as those governing the stock market. The stock market having taken a turn for the worse, sympathetic reaction in speculative bonds would not be surprising.

The sharp advance previously experienced can only be maintained in the event of convincing business improvement this autumn. That is not to say that there is a risk of a return to the demoralization of early summer. If anything can be certain in the security markets, it appears certain that a basic turn has been made. Yet, if business gains in the next few weeks prove disappointing, there is nothing to prevent a fairly substantial reaction in more speculative bonds. Meanwhile, with the national election less than a month away, it would appear the part of caution to defer investment purchases.

The action of second grade rail bonds is particularly worth watching. The difficulties encountered in the Nickel Plate refinancing and the threat of possible receivership for this road have necessarily focused attention again on the underlying gravity of the railroad situation. Investors in secondary rail bonds can not rely indefinitely on Federal credit. What is really needed is such an increase in

(Please turn to page 721)

The Magazine of Wall

THE MAGAZINE OF WALL STREET'S BOND Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

It is naturally understood that all the issues memtioned do not constitute recommendations, although the relative merit of each is clearly indicated. For those, however, who desire to employ their funds in fixed-income-bearing securities, we have "starred" those which appear to us currently the most desirable on an investment basis. Generally, commitments should be assumed in accordance with the discussion on the previous page.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1929	1930	1931	Price 1929 High	Price Recent	Yield to Maturity	COMMENT
Atch., Top. & Santa Fe									
Gen'l 4s, 1995	310	152	5.6	3.9	2.8	95	93	4.3	High grade investment.
Adjust 4s, 1995	310	51	5.6	3.9	2.8	93	84	4.8	Junior to Gen. 4s, but still strong.
Conv. 4½s, 1948	310	28	5.6	3.9	2.8	165	91	5.3	While unsecured by mtge., road's normally high earning power reassuring.
★A. T. & S. F. Trans. Short Line 4s, 1958	310	23	5.6	3.9	2.8	93	90	4.7	Prior in lien to Gen. 4s. High grade.
A. T. & S. F. Cal.-Ariz. 1st & Ref. "A" and "B" 4½s, 1962	310	33	5.6	3.9	2.8	100	93	4.9	Strong issue.
Chic., Burlington & Quincy									
Gen'l 4s, 1958	220	93	4.1	3.3	2.4	93½	91	4.6	Slightly lower in grade to Atch. Gen. 4s.
1st & Ref. "A" 5s, 1971	220	70	4.1	3.3	2.4	106⅛	95	5.3	Subject to the Gen. 4s and the Ill. division bonds. Reasonably high grade.
★C. B. & Q. Illinois Div. 3½s, 1949	220	84	4.1	3.3	2.4	87	88	4.5	Prior in lien to Gen. 4s—Highest class of railroad investment.
Chic., Rock Is. & Pacific									
Gen'l 4s, 1988	316	62	2.2	1.6	1.0	91	68	6.0	Unlikely to be disturbed whatever happens.
Sec. 4½s "A," 1952	316	40	2.2	1.6	1.0	95¾	34	14.9	Secured pledge $45 mil. 1st & Ref. 4s.
1st & Ref. 4s, 1934	316	208	2.2	1.6	1.0	95⅞	36	..	This maturity will be hard to meet under present conditions.
Conv. 4½s, 1960	316	32	2.2	1.6	1.0	..	22	..	Unsecured by mortgage—Speculative.
★Kansas City Terminal Rly. 1st 4s, 1960	50	50	..	..	..	90½	89	4.7	Guaranteed unconditionally by 12 important roads, including the Atchison, Union Pacific and the Burlington. Highest grade.
Louisville & Nashville									
Unified 4s, 1940	231	70	2.2	1.6	1.1	95¾	87	6.1	Reasonably strong issue.
1st & Ref. "C" 4½s, 2003	231	58	2.2	1.6	1.1	..	60	7.5	Prior liens total $149 million.
L. & N., Atlanta, K. & C. Div. 4s, 1955	231	25	2.2	1.6	1.1	92	76	5.9	Lies between unif. 4s & 1st & Ref. issues.
Missouri-Kansas-Texas									
Prior lien "A" 5s, 1962	107	62	3.2	2.8	1.3	102¼	72	7.3	Prior liens total $32 million.
Adj. 5s, 1967	107	14	3.2	2.8	1.3	107½	38	13.4	Junior to the issue above.
M. K. & T. 1st 4s, 1990	107	39	3.2	2.8	1.3	89	77	5.3	Senior to the two issues above—Reasonably strong.
Missouri, Pacific									
1st & Ref. "F" 5s, 1977	407	224	1.7	1.4	1.1	100⅛	28	..	Road heavily over-capitalized.
Sec. 5¼s, 1931/1956	407	13	1.7	1.4	1.1	..	30	..	Secured pledge 131,605 shares N. O. Texas & Mexico stock now selling around $16.
Gen. 4s, 1975	407	50	1.7	1.4	1.1	77½	17	..	Subject to the 1st & Ref. bonds.
Conv. 5½s "A," 1949	407	46	1.7	1.4	1.1	125½	17	..	Unsecured by mtge.—In a weak position.
St. L. I. M. & S. 1st 4s, 1933	407	35	1.7	1.4	1.1	96	51	..	Underlies 1st and Ref. issues, but still far from strong.
N. Y., N. H. & Hartford									
1st & Ref. 4½s, 1967	260	58	2.4	2.0	1.6	93½	68	6.9	Prior liens total $64 million. Also, other large debt equally secured.
Non-conv. Deb. 4s, 1955	260	50	2.4	2.0	1.6	84½	62	7.5	Secured under the 1st & Ref. mtge.
Sec. 6s, 1940	260	19	2.4	2.0	1.6	105¾	82	9.2	Secured pledge $23 mil. 1st & Ref. bonds.
Conv. Deb. 6s, 1948	260	39	2.4	2.0	1.6	137	81	8.1	Also secured under the 1st & Ref. mtge.
★Harlem River & Port Chester 1st 4s, '54	260	15	2.4	2.0	1.6	90½	81	5.5	Strong railroad investment.
Norfolk & Western									
★1st Cons. 4s, 1996	91	41	9.3	7.1	5.4	92¾	96	4.2	Exceedingly high grade investment.
Div. 1st & Gen. 4s, 1944	91	35	9.3	7.1	5.4	94	95	4.5	Subject to prior liens totaling $51 million, but still strong issue.
Reading Co.									
Gen'l & Ref. "A" 4½s, 1997	120	74	2.9	2.0	1.4	99⅞	84	5.4	Road heavily capitalized.
Jersey Central Col. 4s, 1951	120	21	2.9	2.0	1.4	93½	72	6.6	Par value of stock pledged is $16 million.
Southern Railway									
1st Cons. 5s, 1994	288	92	2.0	1.5	.7	110	75	6.7	Medium grade investment.
Dev. & Gen. 4s, 1956	288	130	2.0	1.5	.7	91¼	29	14.9	Junior to the Cons. 5s.
St. Louis Div. 1st 4s, 1951	288	12	2.0	1.5	.7	89	55	9.0	Prior in lien to Dev. & Gen. issues.
East Tenn., Va. & Ga. 1st 5s, 1956	288	13	2.0	1.5	.7	105¾	85	6.2	Better grade holding.

Public Utilities

Am. Gas & Electric Deb. 5s, 2028	197	50	2.5	2.4	2.2	97¾	84	6.0	Among the better holding co. investments.
American Water Works & Electric Deb. "A" 6s, 1975	192	11	1.5	1.4	1.4	106⅛	74	8.2	Moderate decline in recent earnings. A fair holding company investment.
Am. Tel. & Tel.									
★Coll. 5s, 1946	449	67	7.0	6.1	6.4	104⅞	104	4.6	High grade investment.
Deb. 5s, 1960	449	120	7.0	6.1	6.4	105⅝	102	4.9	Unsecured by mtge., but well protected by earning power.
Buffalo Gen. Elec. Gen. & Ref. "B" 4½s, 1981	39	30	4.7	4.0	3.5	..	101	4.5	Better grade investment.
Carolina Pwr. & Lt. 1st & Ref. 5s, 1956	46	39	2.1	1.8	1.6	102¾	71	7.7	Lacks cushioning effect of junior issues. Only medium grade.
Central Ill. Pub. Ser. 1st & Ref. "F" 4½s, 1967	55	55	2.4	2.3	2.0	97¾	66	7.2	Latest earnings somewhat lower. Medium grade.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1929	1930	1931	Price 1929 High	Recent	Yield to Maturity	COMMENT
Cleveland El. Ill.									
1st 5s, 1939	40	30	4.4	4.3	4.2	..	104	4.3	Well protected by assets and earning power—Highest grade.
Gen. "A" 5s, 1954	40	22	4.4	4.3	4.2	104¾	106	4.4	Junior to 1st 5s, but still good investment.
Columbia Gas & Electric Deb. 5s, 1961	162	103	4.6	3.9	2.9	..	84	6.2	Bank loans reduced to $33,000,000—against a high of $44,000,000.
Con. Gas, El. Lt. & Pwr. of Baltimore									
★Gen. 4½s, 1935	64	14	3.8	3.6	3.4	98¾	103	3.4	Prior in lien to 1st Ref. issues.
1st Ref. 4s, 1981	64	40	3.8	3.6	3.4	..	96	4.2	High grade issue.
Consumers Power									
1st & Ref. 5s, 1936	92	33	5.2	4.5	3.7	101¼	104	3.9	Prior in lien to 1st & Unif. issues.
1st & Unif. 4½s, 1958	92	67	5.2	4.5	3.7	98¼	100	4.5	Com'nw'lth & South. control. High grade.
Detroit Edison Gen. & Ref. "D" 4½s, 1961	129	119	3.3	2.9	2.9	..	95	4.7	Strong investment.
Duke-Price Power 1st "A" 6s, 1966	40	36	1.1	1.2	1.2	105⅛	62	9.9	Relatively thin equity. Some difficulty about payment for power delivered.
Duquesne Light 1st "A" 4½s, 1967	70	70	5.3	6.8	5.4	100⅞	102	4.4	High grade investment.
Georgia Power 1st & Ref. 5s, 1967	118	98	2.8	2.7	2.2	98¾	85	6.0	Reasonably good investment.
Illinois Bell Telephone 1st & Ref. 5s, 1956	58	49	4.0	4.0	4.9	105	105	4.8	Exceedingly strong issue.
★Louisville Gas & El. 1st & Ref. "A" 5s, '52	31	27	3.3	3.3	3.3	104	103	4.9	Good investment caliber.
Metropol'n Edison 1st & Ref. "D" 4½s, '68	41	40	3.2	3.3	2.5	99	88	5.1	Fixed charges covered by good margin.
New York Edison									
1st Lien & Ref. "B" 5s, 1944	123	85	6.0	6.9	6.8	105	105	4.4	Strong investment issue.
★N. Y. Gas, El. Lt., Ht. & Pwr. P. M. 4s, 1949	36	21	6.0	6.9	6.8	95¾	97	4.2	Gilt-edged.
★N. Y. Gas, El. Lt., Ht. & Pwr. 1st 5s, '48	36	15	6.0	6.9	6.8	107½	107	4.4	Gilt-edged.
★N. Y. Power & Light 1st 4½s, 1967	67	66	3.0	3.0	2.7	95	92	5.0	Better grade issue.
North American Deb. 5s, 1961	311	25	2.1	2.2	2.0	..	85	6.1	Recent financing frees both parent co. and subsidiaries of bank indebtedness.
Northern States Power Co. (Minn.)									
1st & Ref. "A" 5s, 1941	100	79	2.8	2.7	2.9	104¾	100	5.0	Sound issue.
Ref. 4½s, 1961	100	45	2.8	2.7	2.9	..	91	5.0	Pledge of 1st & Ref. bonds gives this issue identical security.
Oklahoma Gas & El. 1st 5s, 1950	42	34	2.8	2.9	2.2	100	87	6.2	Expiring franchises all renewed satisfactorily. No more expirations before 1934.
Pennsylvania Pwr. & Lt. 1st 4½s, 1981	132	121	2.6	2.7	2.6	..	92	4.9	Reasonably strong investment issue.
Public Service Co. of Northern Illinois									
1st & Ref. 5s, 1956	123	84	2.6	2.6	2.5	101¼	90	5.8	Mostly pledged under 1st Lien & Ref. issue.
1st Lien & Ref. "F" 4½s, 1981	123	95	2.6	2.6	2.5	..	79	5.8	A businessman's investment holding.
Utah Power & Light 1st 5s, 1944	56	37	2.1	1.9	1.8	101	76	8.2	Medium grade.

Industrials

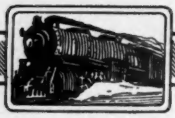
Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1929	1930	1931	1929 High	Recent	Yield to Maturity	COMMENT
Aluminum Co. of Am. Deb. 5s, 1952	38	36	..	7.0§	3.5§	103⅛	97	5.2	Medium grade obligation.
American International Conv. 5½s, 1949	21	21	1.6	1.2	1.1	122¼	80	7.6	Asset value 12/31/31, $1,275.
American Radiator 4½s, 1947	10	10	22.4	8.8	1.3	99½	96	4.9	Strong issue, but business hard hit.
Armstrong Cork Conv. Deb. 5s, 1940	14	14	..	def	def	..	73	9.9	Business thoroughly depressed.
Bethlehem Steel 1st & Ref. 5s, 1942	136	25	4.8	4.3	1.0	104	92	6.1	Medium grade investment.
Canada Cement Co., Ltd., 1st 5½s, 1947	19	19	2.5	2.5	2.5	101¾	‡	..	Exchange difficulties plus building stagnation depressing.
Chile Copper Deb. 5s, 1947	35	35	11.0	4.8	1.2	97	44	14.0	Copper tariff obscures outlook.
Com'l Investment Tr. Conv. Deb. 5½s, 1949	28	28	2.2	3.2	4.5	108¼	95	6.0	Substantial margin of safety in earnings.
Int. Cement Conv. Deb. 5s, 1948	18	18	NF	5.6	2.4	118¾	66	9.1	Hard hit by construction curtailment.
Lehigh Coal & Nav. Cons. "A" 4½s, 1954	23	20	4.6	3.4	3.2	99¾	90	5.2	High grade issue.
National Dairy Products Deb. 5¼s, 1948	77	75	10.4	6.8	6.0	99	89	6.3	Among the better industrial debentures.
National Steel Corp. 1st Coll. 5s, 1956	43	40	..	11.4	3.1	..	79	6.8	Industry hard hit—Medium grade.
Pennsylvania-Dixie Cement 1st 6s, 1941	10	10	1.5	1.9	def	97¼	47	..	Hard hit by the slump in construction.
★Procter & Gamble Deb. 4½s, 1947	11	11	40.2	46.9	48.2	98⅝	103	4.3	In the highest class of industrial investment.
Remington Rand Deb. "A" 5½s, 1947	21	20	3.1	5.7	2.1	98	63	10.5	Speculative, though co. strong financially.
Swift & Co.									
★1st 5s, 1944	55	22	NF	3.3	3.5	102¼	101	4.9	Well secured. Rise in meat helpful.
5% Notes, 1940	55	30	NF	3.3	3.5	..	93	6.1	Unsecured and subject to about $25 million prior liens. Medium grade.
Youngstown Sheet & Tube 1st "A" 5s, '78	94	94	6.9	2.9	def	102	69	7.4	Unsatisfactory earnings continue.

Short Term Issues

Company	Due date	Amount of this issue (millions)	Fixed Charges times earned† 1930	1931	Recent Price	Yield to Maturity	COMMENT
Atlantic Refining Deb. 5s	7.1.37	14	4.6	1.6	100	5.0	Reasonably safe investment.
★Chicago Gas, Light & Coke 1st 5s	7.1.37	10	3.0	2.5	104	4.1	Exceedingly high grade investment.
Cudahy Packing Deb. 5½s	10.1.37	12	2.5	2.4	86	9.1	Rises sharply on higher meat prices.
General Motors Acceptance Deb. 6s	2.1.37	33	1.9	1.9	102	5.5	Businessman's investment.
Gulf Oil Deb. 5s	12,1.37	28	3.0	Def	100	5.0	"Medium to high" grade issue.
★Humble Oil & Refining Deb. 5s	4.1.37	20	7.8	2.1	102	4.5	Normally a wide margin earned over int. requirements. High grade.
Midvale Steel & Ordnance Cons. 5s	3.1.36	33	4.3	1.0	96	6.3	Guaranteed by Bethlehem Steel.
★New York Telephone 1st & Gen. 4½s	11.1.39	61	3.8	4.7	103	4.0	Gilt-edged.
★Pacific Tel. & Tel. 1st & Col. 5s	1.2.37	27	3.8	4.5	104	4.0	Of the highest grade.
V'ginia Rail & Pr. 1st & Ref. (now 1st) 5s	7.1.34	11	3.2	3.1	101	4.5	Strong issue.

★ Our preferences in above list. § Indicated approximately. NF—Not available.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded debt and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ No recent quota tion available.



BALTIMORE & OHIO

Has Most to Gain from Eastern Consolidation

Slight Improvement in Earnings Also Points to Road's Victory in Struggle With Heavy Debt Burden

By PIERCE H. FULTON

MUCH importance has been attached, both as to the outcome of the plan itself, and the effect upon the market value of the securities involved, to the announcement recently that the chief executives of the four large railroad systems in Eastern Territory had reached an agreement with respect to the plan, modified, and definitely announced by the Interstate Commerce Commission in July of this year.

Publicly Held Securities of the Baltimore & Ohio

Security	Amount outstanding (millions)	Price	COMMENT
1st 4s, 1948	82	84	This once strong issue is depressed by lower earnings and large early maturities.
1st 5s, 1948	75	90	
Ref. & Gen. "A" 5s, 1995	60	47	Subject to 1st mortgage bonds. Further amounts of this issue are being pledged with R. F. C. for advances. Not an investment under present conditions.
Ref. & Gen. "C" 6s, 1995	35	49	
Ref. & Gen. "D" 5s, 2000	30	47	
Conv. 4½s, 1933	63	59	R. F. C. may advance 50% of this maturity.
30-year Conv. 4½s, 1960	63	33	Unsecured—Speculative.
Equipment Trusts	57	..	High standing impaired by traffic decline.
Southern Div. 5s, 1950	45	70	Secured on road's main Western line.
Pitts., L. E. & W. V. Sys. Ref. 4s, '41	43	74	Prior in lien to Ref. & Gen. mtge. bonds.
Toledo-Cincinnati 4s, 1959	11	58	Prior in lien to Ref. & Gen. mtge. bonds.
C. L. & W. 5s, 1933	5	95	Strong issue.
Other divisional issues, etc.	27	..	....
4% non-cum. Pfd.	59	15	Speculative.
Common	256	12	More speculative.
Total	$911		
R. F. C. borrowing approx.	35		
	$946		

Certainly it is important when, after 12 years of negotiation, agreement is reached with regard to any undertaking in which so much is involved, as in this instance, 57,000 miles of railroad and close to $8,000,000,000 of railroad properties. Whether undue importance has been accorded to this announcement as a factor in the market for the securities remains to be seen.

While the brief official statement did not set forth, and it has not been possible in the meantime to learn, all the details, it seems safe to assume that the executives of the four systems have accepted the plan approved by the I. C. C., largely as a basis for what they will attempt to do in rounding out each individual system, as indicated in that document, and with the hope ultimately of consummating railroad consolidation in the East, exclusive of New England, except as to Boston & Albany.

It will be interesting and important to the holders of securities in the roads that are to make up the four systems, big already, that are to be made still bigger, to see how the executives of each one of the groups will proceed to work out their own problems.

The matters settled so far have been chiefly general in scope and have affected all four systems, more or less. From now on the steps to be taken toward working out the whole plan will be more individual.

While the general negotiations were in progress the Baltimore & Ohio, unless it be the Nickel Plate-Chesapeake & Ohio, accomplished the most in the way of acquiring control of, and even of definitely taking over individual properties. The principal roads of which control was acquired were Buffalo, Rochester & Pittsburgh, Buffalo & Susquehanna, Chicago & Alton and Western Maryland. The first three were actually taken over but the Interstate Commerce Commission compelled the B. & O. to trustee its holdings of Western Maryland, consisting of 163,859 shares of first preferred, 8,000 second preferred and 159,000 common, amounting to over 42% of the total outstanding. As the Commission, in its recently modified plan, allocated this road to the B. & O., the trusteeship, it would seem, would automatically cease as steps are taken to exchange securities and make the property a part of the B. & O. sys-

tem. Only a short time ago it was definitely rumored that terms for the exchange were under careful consideration.

While probably B. & O. accomplished more than any other group toward rounding out its system while the whole eastern consolidation plan was still in the general negotiation stage, it is conceded on all sides in railroad and banking circles that that company still has the most to gain from the terms of the I. C. C. plan and the most to do to carry out its part.

Both the Buffalo, Rochester & Pittsburgh and Buffalo & Susquehanna are small roads, the former operating a trifle more than 600 miles of line and Buffalo & Susquehanna 253. They are important to the B. & O. for two reasons: They will furnish additional coal tonnage and also outlets to Rochester and Buffalo and will serve likewise as connecting links in the new short line which B. & O. intends to develop from New York to Chicago.

Western Maryland was acquired by Baltimore & Ohio, as an executive of the company told the writer at the time, chiefly to avoid building a second track for the B. & O. in the territory served by the main line of this small road. It was estimated that purchase of over 40% of Western Maryland stock outstanding would cost several million dollars less than to build the second track. It was pointed out, furthermore, that acquisition of the Western Maryland would enable B. & O. to compete more effectively in that territory with Pennsylvania, which already had considerably more trackage. In the case of Western Maryland, additional coal tonnage will come to B. & O.—and it should be remembered that the latter is primarily a bituminous carrying line.

Chicago & Alton, by far the largest of the roads acquired or taken over by B. & O. during the period of general negotiation on the eastern consolidation plan, supplies that system with an outlet to St. Louis and takes it to various other important points in the southwest. It has somewhat more than 1,000 miles of line in operation. It was in receivership for over 11 years, due partly to the excessive capitalization placed on the property after control was acquired by E. H. Harriman and associates about 30 years ago, to the new competitive conditions, particularly between Chicago and St. Louis, and to failure of the committees representing several classes of bonds to agree on the terms of a reorganization plan.

In its reorganized form, as brought about by the B. & O., the company is known as the Alton Railroad Co. Its most important line is between Chicago and St. Louis. For many years it was generally acknowledged in railroad circles, even by competitors, that the Alton furnished the best passenger service between those two highly important points. It is still claimed and likewise admitted that this service is of the best. As times improve, it is expected that the wisdom of acquisition of the Alton by B. & O. will be more clearly demonstrated even than has been true so far. More than 30 years ago, when T. B. Blackstone was president and in control of the property, Chicago & Alton earned and paid 8% on its common stock. The B. & O. management hopes to incorporate the Alton into the system within a year.

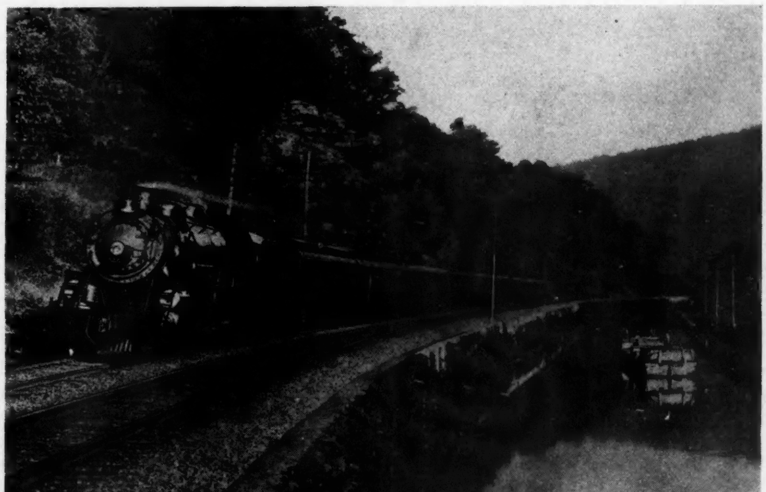
The Reading, which carries with it ownership of a legal majority of Central Railroad of New Jersey shares, is easily the most valuable property allocated to B. & O. by the I. C. C. in the plan approved and announced last July. B. & O. is said to control, though not to own as yet, 46% of Reading stock outstanding. It has been understood for some time that New York Central would be willing to turn over its Reading holdings to B. & O. whenever the latter might need them to carry out its part of the general four-grouping plan.

For many years New York Central was able to claim that it was "the only eastern trunk line entering the heart of New York." This came to be too much for the proud A. J. Cassatt, then president of Pennsylvania, to stand. Accordingly he conceived the present tunnel under the Hudson River and the passenger terminal midway uptown on the west side of Manhattan. It was quietly admitted by Pennsylvania representatives that for many years after this elaborate and expansive undertaking was completed and placed in operation the additional traffic obtained, compared with the days when the Pennsylvania had to depend upon its three ferries to transport its passengers to and from Jersey City, did not seem to justify the outlay of the many millions that the tunnel and terminal had cost.

Baltimore & Ohio never has been able to claim that its trains actually entered New York at any point. In fact, it never has been able to say that its own lines came as far as Jersey City. They actually end in Philadelphia, thence to Jersey City and New York, the Reading and Jersey Central furnishing the connecting link. After B. & O. takes over Reading it can advertise that its lines reach New York. From Jersey City the service will be that of the ferries and buses for passenger traffic and floats for freight traffic.

Several years ago ambitious plans were published for an elaborate railroad terminal in upper New York in which it was claimed that B. & O. would be largely interested. Needless to say that, from present indications such an undertaking is a matter some years into the future. B. & O. passengers will continue to use the ferries and buses. The latter, which carries passengers from alongside the trains in the Jersey City terminal midway uptown in Manhattan are said to have been found wholly satisfactory.

Acquisition of control of Reading and Jersey Central will not (*Please turn to page* 726)



Nesmith Photo

B. & O.'s "*Capitol Limited*"

UNITED AIRCRAFT & TRANSPORT CORP.

The Outstanding Stock of the Next Bull Market

Strongly Intrenched, Ably Managed Company Has Potentialities of Becoming the "General Motors of Aviation"

By JOHN D. C. WELDON

The largest profits have not been made in the advances of former market leaders by purchasing them after their speculative career was in full swing nor when their financial position was so assured as to be self-evident. Rather were they made by assuming commitments when future possibilities were visible to only a courageous few.

THIS is not a story for outright, bona fide investors. It is for those whose temperament and resources justify an occasional spec-vestment. It is for those who can afford a stake in a speculative dream which leaps far into the future. It is an effort to nominate a logical candidate for the speculative leadership of the next bull market.

That is a large order. What are the various factors which establish a few stocks, out of thousands, as market leaders? Market leaders are of many types. Some have enduring prestige, others a transient popularity. Years of dominance in basic industries lend a strong appeal to such issues as American Telephone, United States Steel, American Can, National Biscuit, General Electric.

But in any given bull market, there are popular favorites which have no such seasoned background. One or another stock will flash into prominence with sensational speed. In most instances it is the stock of a company in a new and rapidly developing industry—some industry whose prospect fires the imagination of the speculative public and of professional traders.

Stars Among Motors

In the decade or so prior to 1929 the automobile industry gave birth to many such newcomers in the speculative limelight. What veteran trader can forget Chandler Motors or Studebaker in their heyday? The later sensational performances of General Motors, Nash, Chrysler and Auburn are familiar to all.

By 1928 the motor dream had become an actuality. Although it persisted for some time further, its speculative possibilities had been substantially exploited. It was time for a new dream. The radio industry supplied it. Speculatively, as all remember, it centered in the shares of the Radio Corp. of America. This stock never paid a dividend and the earning power behind it never lived up to speculative hopes, but the dream nevertheless endured for two years and during that time provided as remarkable a speculative opportunity as Wall Street has ever known.

Again let it be emphasized that this story is not for investors. Investors should be concerned with accomplished fact. Speculation in its very nature is constructed on the uncertain possibilities of the future. Virtually every common stock begins its career as a speculation. A few become investments, which means that previous speculative hopes have been fulfilled.

In any event, whether speculative dreams come true or not, it is the dream itself and not the eventual result which excites the stock market and which, in return for large risk, offers possibilities of large profit. It may be taken as a cardinal principle of speculation that a dream can be dreamed only once, whether it comes true or not. It can hardly be reconstructed again in full vigor out of an accomplished fact, like General Motors, or out of an exploded myth, like Radio. In its very nature, to offer maximum speculative possibilities, its roots must lie in the future, rather than the past.

United Aircraft

What stock, then, possesses the characteristics suitable for speculative leadership in the next bull market? The prophecy, admittedly, is hazardous, but certain clues to a logical candidate already are at hand. Regardless of the reasons—reasons partly based on recent market action and partly on its industrial setting—that logical candi-

date appears to be the common stock of the United Aircraft & Transport Corp. If the choice were put to a consensus of informed opinion today there is little doubt that this would be the answer.

This is an age of amazing technological and scientific advancement. After experiencing the almost magic development of the motion picture, the automobile, the radio and mechanical refrigeration, the public has come to take industrial miracles almost for granted. Aviation, promoted in part by spectacular flying feats in recent years, has come to be taken almost as a commonplace of everyday life. Throughout the country hundreds of planes drone overhead every day in routine, commercial journeys. Eyes scarcely turn upward to see them.

We know that the industry is yet in a transitional, experimental, speculative stage—but if one predicted that in the future it will come to command a public confidence and use vitally supplementing present railroad and automobile transportation who would be so bold as to deny the possibility? In our civilization in recent decades speed has been virtually synonymous with progress. Is it conceivable that we will fail to exploit the fastest known method of transportation?

It is useless to conjecture as to the precise directions that development will take. Conceivably it may follow technical patterns not now known. The one certainty is that our pace of technological progress is faster than ever before and that it may be relied upon to exploit to the utmost whatever romantic possibilities lie in the future of aviation.

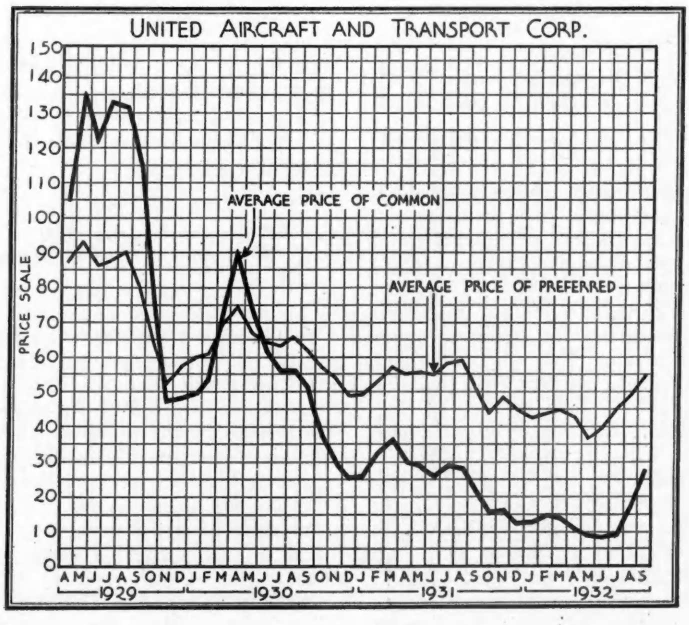
No one can say whether a dream will come true, for otherwise it would not be a dream. Here, then, we have a virtually perfect setting for a major speculative hope. Those who wish to participate cannot rely upon statistics of earnings. When the actualities are convincing the dream will evaporate.

The setting being appropriate, what are the apparent probabilities of speculative response? In a near-term sense, this depends very largely upon the course of the general market. Speculative dreams do not flower in a depression. They attain their maximum possibilities only when an upward trend of business and securities colors sentiment with hope.

Such a time may be approaching, certainly, it will ultimately come. Meanwhile, there is undoubtedly a risk of premature enthusiasm, especially since this particular dream has already been given a rather notable trial performance by pool sponsors in recent weeks, the price, indeed, having advanced from a low of 6½ to a high of 34⅜. There is, however, no need to be swept off one's feet by the breadth of this movement. It can reasonably be set down as indicative of the much broader possibilities of the future, but with the reservation that in the present economic setting no stock is likely to run away. The probability of at least important intermediate reaction before the turn of the year is worth consideration.

Stock-Minded Public

It is the speculative response of the longer future that here concerns us. After the bitter lesson of the last three years is the public still capable of speculative dreams of the type of Radio? The answer appears to be "Yes." It is proven by the vast increase in the numbers of individuals owning shares in leading corporations. It is proven more specifically by the sensational market performance since July. In a period of two months we have seen some stocks advance 40 to 50 points. We have seen gains ranging up to 500 or even 800%. We have seen some of the most speculative issues on the list account for the largest gains.



It is interesting to compare this movement with the market recovery after the depression of 1921. Its speed and breadth of price advance have been more than three times as great. There have been pre-war years in which the entire range of movement was less than that of some of the recent rallies of a single day. To a large extent, of course, this may be accounted for by the abnormally low prices to which stocks had fallen in June, but there can be no doubt that it also reflects an enormously faster tempo of speculation. The American public, indeed the public of the world, is still stock-minded. As throughout the course of speculative history, it will again respond to the lure of dreams in due time.

In relation to the longer possibilities here dealt with, current analysis of United Aircraft is not particularly important, but is nevertheless of some interest. On the record to date the company is off to a good start and is strongly intrenched. In the manufacture of aviation equipment and in the operation of aviation transport it is the outstanding factor of the industry. It is favored by a relatively conservative capitalization, by unusually large and liquid financial resources, by excellent management and by banking sponsorship of the strongest kind. While no one can say that some other unit will not be the future General Motors of aviation, the chances strongly favor United Aircraft for that distinction.

The company was incorporated in 1928 as the Boeing Airplane & Transport Corp., the name being changed to the present title in January, 1929. As the title implies it is a holding company, expanded from time to time by the absorption of various subsidiaries. Like United States Steel, American Can and many other large companies, it has been put together or assembled out of a variety of constituent parts. One of its major tasks, now in process of accomplishment, is to mold these parts into a homogeneous whole. This it is doing by concentrat-

(*Please turn to page* 721)

After Three Years of Depression—

What is the Investment Outlook For These Companies?

THIS is the fifth of a series of brief sketches on important companies in which there is broad security interest. These analyses are designed to give a concise picture of how corporations in which readers may be present or prospective partners are meeting the difficulties of these unusual times. All of them are not to be construed as recommendations. In fact, numerous companies in an unfavorable position are frankly discussed as well as those more fortunately situated. Selections may of course be made from those favorably described but even in these it is recommended that commitments be assumed only in accordance with the counsel given in the market article which appears in each issue of this magazine.

B. F. Goodrich Co.

Position of the industry: Greatly depressed. Future improvement rests upon control of excessive competition, and recovery in the country's payrolls.

Co.'s working capital per share	**$50.20**
Cash and governments per share	**$12.60**
Latest earnings per share (6 Mos. to 6/30/32)	**Def. $1.51**

Price	Div.	Yield
$6	—	—

ALONG with all the rubber companies, earnings of the B. F. Goodrich Co. are subject to violent ups and downs arising from demoralizing competition and wild fluctuations in the price of raw cotton and crude rubber. Only a few years ago the stock earned $17 a share; at present only 60% of the $3,500,000 interest on funded debt is being earned. Dividend on the preferred stock, which had been paid regularly since 1912, was omitted last September. No common dividend has been paid since the second quarter of 1930.

The unfortunate condition in which the company finds itself arises from no fault of the management, which is able and progressive. In fact earnings would doubtless have suffered more during the past few years had it not been for the wide diversification of the company's products, which number some 32,000 rubber articles of 1,000 different classifications. Normally, however, about half of the sales volume is in rubber tires, 80% of which are for the replacement market. Rubber footwear, the demand for which is much subject to weather conditions, constitutes a large portion of the remaining output; though considerable business is also done in druggists' and mechanical rubber goods.

Bank loans and bills payable by subsidiaries were reduced by 1.35 million dollars last year to 1.86 millions. Otherwise, the company has no pressing obligations of importance to meet until the latter part of 1936; while cash and Governments at the end of June were nearly five millions more than a year ago. Thus the company seems well intrenched to weather the storm. Recovery in earnings, however, must await the return of better general business activity, and the company's securities should at present be regarded as thoroughly speculative, though not without possibilities of future price appreciation if held outright over a period of years.

Lambert Co.

Position of the industry: Adversely affected by growing competition.

Co.'s working capital per share	**$8.29**
Cash per share	**$7.34**
Latest earnings per share (6 mos. to 6/30/32)	**$3.43**

Price	Div.	Yield
$35	$4.00 plus	11.4%

SIXTY per cent of the Lambert Co.'s income is derived from the production and sale of Listerine, with Listerine toothpaste accounting for the major portion of its remaining sales. Listerine has been nationally advertised on a large scale for so many years that the product has become identified in the public mind with the idea of "antiseptic." Up to about three years ago, lavish expenditures for advertising had gradually been building up a good-will which seemed impregnable. Per share earnings on the common grew from $4.43 in 1926 to an all-time high of $10.13 in 1929. The company's products were on the shelves of every drug store in the United States, and in such constant demand that dealers would often offer Listerine as a "leader" at prices little above cost. The company felt so sure of its position that quantity discounts were granted to no one—not even to the big retail chains.

And then, just at the height of the company's success, clouds began to gather. First came the business depression, carrying reduced public purchasing power in its wake. This alone might have caused only a moderate recession in earnings had it not been aggravated by the almost simultaneous appearance of really troublesome competition. People demanded a cheaper product and many of the larger retail outlets, especially the chain stores, became only too willing to push private brands upon which there is a larger margin of profit. Then a new competitive antiseptic came upon

the market and was pushed by coast-to-coast radio advertising. Lambert's per share earnings sagged 6% in 1930, dropped 13% more in 1931, and during the first half of 1932 are off 28% from the like period in 1931. The common dividend, which had been $2 quarterly, was recently reduced to $1; and an increase in advertising appropriations has been voted. Thus investors might well watch developments from the sidelines before committing themselves to the company's stock.

American Chicle Co.

Position of the industry: Slightly depressed; but should revive gradually with expansion in the country's payrolls.

Co.'s working capital per share	**$9.06**
Cash and call loans per share	**$1.37**
Marketable securities (at market prices on 6/30/32) per share	**$2.13**
Latest earnings per share (six months to 6/30/32)	**$1.98**

Price	Div.	Yield
$33	$2 plus	6.1%

THOUGH the smallest of the three principal manufacturers of chewing gum in this country, the American Chicle Co. has grown more rapidly during the past five years, and its earnings have held up better during the depression, than either of its larger competitors. Within four years, gross profits rose 46%, from 2.55 million dollars in 1926 to an all-time peak of 5.19 millions in 1930. In the meantime, Beech-Nut's sales profits expanded only 10% and Wrigley's 30%.

Ninety per cent of the company's output consists of nationally advertised chewing gums, such as Chiclets, Adams, Blackjack, Dentine, etc., which are retailed in 5-cent packages. Raw material, chicle, which comes from Mexico, Guatemala and British Honduras, is the chief item in the cost of production and, since the three principal manufacturers apportion among themselves most of the entire supply of chicle, there is little fluctuation in the price. Earnings therefore hinge almost entirely upon the volume of sales which, in turn, moves with the country's disbursements of wages and salaries.

Since the present dividend of $2, plus extras, is amply covered by current earnings, and there is no funded debt nor bank loans, and no unusual expansion program in view, there appears to be no reason why the dividend should not be maintained. If purchased on reactions, the common stock around current levels yields a liberal return and offers prospects for gradual appreciation in market price with a return of general prosperity.

International Shoe Co.

Position of the industry: Depressed; but picking up rapidly.

Co.'s working capital per share	**$14.00**
Cash, call loans, and Governments per share	**$4.94**
Latest earnings per share (6 Mos. to 6/30/32)	**$0.83**

Price	Div.	Yield
$27	$2.00	7.4%

INTERNATIONAL SHOE CO. is among the largest manufacturers of footwear for men, women and children. A large portion of its output is sold in non-urban territory under nationally advertised trade names such as "Queen Quality," "Dorothy Dodd," "Vitality," etc. It also makes unbranded shoes for some of the larger retail chains, tans 75% of its own leather, and produces most of its own findings. Except in a few factories, most of its machinery is leased at a rental proportional to output; so that operating expenses are easily adjusted to the volume of sales. The company's fixed policy is to maintain the quality of its product regardless of price, and a tendency to over-standardization has in the past been somewhat of a handicap.

It is now recognized, however, that rural communities demand as up-to-date styles as are to be found in the city; so that a new sales campaign has been mapped out to feature both style and quality of the company's products.

Net sales grew at an average annual rate of about 3.5% during the three years between 1926 and 1929; but during the depression have fallen about 40%. In consequence of the resulting reduced profits, the common dividend payable during the final quarter of the present year has just been cut to 50 cents from the former regular quarterly rate of 75 cents. Rapidly rising prices for hides, however, followed by later increases in the wholesale price of shoes, has stampeded dealers into replenishing depleted inventories; so that the company's sales during the past four weeks have exceeded orders booked last year at this time by 35%. This appears to make it reasonably certain that no further reduction in dividends will be necessary, and the company's common stock, around the present price of $27, appears to be attractive for its yield, as well as from the possibilities for price appreciation over a period of time.

Montgomery Ward & Co., Inc.

Position of the industry: Greatly depressed. Improvement depends upon recovery in farm incomes.

Co.'s working capital per share	**$21.00**
Cash and Governments per share	**$6.04**
Marketable securities per share (at market prices on 12/31/31)	**$1.15**
Latest earnings per share (6 mos. to 6/30/32)	**Def. $0.88**

Price	Div.	Yield
$12	—	—

MONTGOMERY WARD & CO., INC., along with its larger, and of recent years more successful competitor, Sears, Roebuck & Co., in the mail-order business found its catalogue trade menaced so far back as 1926 by the ease by which its chief customers in agricultural districts could motor to town for their purchases. To meet this trend, the company thereupon embarked upon a colossal program of opening retail stores in cities and towns accessible to the farming population until, by the end of January of the present year, it was operating 16 large department stores in cities of 75 millions of population, and 475 smaller retail outlets. Since the first of these stores was opened, mail-order sales have been falling off rapidly while store sales have mounted at a pace to more than offset this. In 1930, the latest year for which details are available, stores sales had passed the catalogue sales by 20%. But in spite of this rise in total gross sales, net profits have receded steadily from $10.25 per share in 1927 to a deficit of $2.25 per share last year. Many of the new stores proved unprofitable, and have had to be liquidated. Management problems were vexing, and dividends on both the common and class "A" stocks had to be omitted to conserve cash, although, up to the end of last year, the company had no funded debt and had not been obliged to borrow at the banks.

While the company's common stock often offers oppor-

(Please turn to page 722)

For Profit and Income

Below Quick Asset Value

At the low prices reached by the security markets in July of this year, it was pointed out by statisticians and economists that the very unusual situation existed of hundreds of common stocks of corporations selling in the market at a price actually less than their working capital, thus placing no value whatever upon plants, equipment, goodwill, trade-marks or patents. It is interesting to note, that despite the advance that has taken place since these low points were reached, stocks of some very important companies are still in that situation, that is to say, the market value is less than their net current assets. This is the basis of discussion in the two companies which follow. Each of them has a background of successful operations over a period of years and hold a relatively prominent position in their industry.

Plants for Nothing

The packing industry is one in which heavy losses are frequently sustained in inventories, which have to be maintained at a certain level regardless of what the outlook may be. With this inventory factor taken into consideration, the record of Swift & Co. in paying dividends without a break from 1888 up to October, 1932, (when the dividend was passed) is a remarkable one, indicating unusually efficient management and also the wide extent to which the company has diversified its products. For the fiscal year ended October 31, 1931, Swift earned $1.37 a share on the stock but of this amount, profits from the sale of capital assets accounted for $1.26. The continuation of the deflationary movement this year influenced directors to omit the dividend pending a return to more normal conditions. This action influenced a decline in the stock to a level where the immensely valuable plants, including 52 packing plants, 117 produce plants, 18 fertilizer plants, 9 cotton oil mills, as well as branches and sales agencies numbering over 450, together with its nationally advertised brands can be purchased for less than nothing. Working capital as of October 31, 1931, totalled $142,025,000. After deducting funded debt there was a balance equivalent to $14.50 a share on the common stock. It is questionable that any deficit that may be incurred this year would bring the working capital per share under $13.

21 Dollars for Common

May Department Stores is one of the oldest department store units operating six large stores in as many cities. In the years 1921 to 1931, inclusive, net income did not drop below $4,000,000 and reached a peak of $6,900,000 in 1927. In 1932, net income was $2,197,000 equal to $1.75 a share. During the past five years, the stores have been completely modernized. Dividends have been paid on the common stock without interruption since 1911, the current rate being $1 per share per common as compared with $2.50 per share paid in 1931. Balance sheet as of January 31, 1932, showed a working capital of $26,486,000. As the company has no funded debt or mortgages, this working capital is all applicable to the stock and amounts to over $21 per share.

The I. R. T.'s Senior Securities

Receivership for Interborough Rapid Transit Co. was not an unexpected development in view of the maturity on September 1, 1932, of the 7% secured notes and the maturity on October 1 of the 6% unsecured notes. For some time it had been realized that these maturities could not be met. Receivership should not, however, bring any undue alarm to holders of the 5% bonds of 1966 or the 7% secured notes due September 1, 1932. Under contract No. 3 with the City of New York instead of a fixed rental the city agreed to a contingent return after certain deductions from gross revenue. These deductions include operating expenses, taxes, maintenance and depreciating interest payable as rents for subways under contracts No. 1 and 2, an annual preferential of $6,335,000, and interest on company's share of construction costs and outlay for equipment. This preferential payment of $6,335,000 is factor which places the 5% bonds and secured notes in a favorable position. For example, for the twelve months ended June 30, 1932, excess of subway earnings payable to the city totaled $2,685,388 compared with $3,827,839 in the preceding year after all deductions including the preferential. This is a substantial margin over interest requirements on the bonds and secured notes and should give sufficient leeway to take care of receivership costs. The possibility that Interborough Rapid Transit can now eliminate the heavy expense incurred through the Manhattan lease is a favorable side to the receivership from the bondholders viewpoint. September 1 coupons on the 7% secured notes were not paid but this should be regarded as only a temporary measure. The $137,937,000 1st and refunding 5s of 1966 are secured by a first lien on all leasehold and other rights in existing subways and elevated lines and other property and on leasehold and other rights in new subways and additional authorized tracks of elevated lines and all properties, franchises, etc., acquired from proceeds of these bonds. The $32,232,000 ten-year 7% notes of 1932 are secured by pledge of $56,885,000 1st and refunding 5s of 1966. With or without unification of the transit lines these bonds and notes apparently occupy a reasonably sound position.

Taking the Pulse of Business

— Little Further Gains Apparent

— Commodity Prices Hold

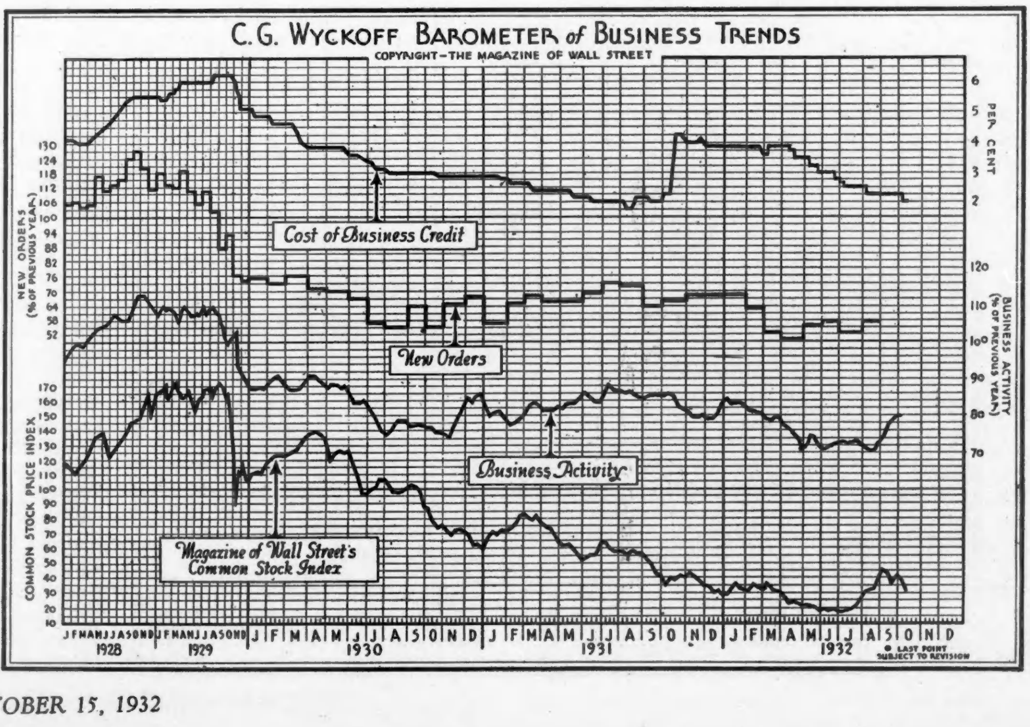
— New Orders Lag

— Oil Contends with Rising Production

— Steel Gets Meager Support from Other Industries

WHILE the stock market is again selling off after its partial recovery from the sharp reaction of a few weeks ago, raw material prices are barely holding their own at levels close to the lowest reached on the reaction. Meanwhile the stir created by middlemen in their scramble to stock up while commodity prices were rising begins to show signs of subsiding. True, our Business Activity index continued to rise until last week as the waves from that speculative upheaval spread out among industries more distantly removed from the textile and leather centers; but the improvement now seems to be losing momentum, as though some new stimulus were needed to enliven the recovery. Thus far no great incentive to volume production is to be found in the reports of New Orders which for the last month entered, though reflecting some improvement over the previous month, were far from large enough to warrant much enthusiasm over business prospects for the balance of the present year. Normally productive activity in the country's largest industries begins to recede seasonally in October and reaches its lowest point during the year-end holidays, and the fact that our Business Activity index has already turned downward a little would lead one to expect that the present year may prove to be no exception.

And yet, while the outlook for a swift return to normal business conditions is not very promising at the moment, there are several elements in the situation which render it highly unlikely that trade and industry will relapse in the near future to the extremely depressed state of a few months ago. Chief among the basically constructive forces which offer hope for further recovery after recent moderate gains have been assimilated, is the steadily mounting supply of potential bank credit reflected in our Cost of Business Credit line and in the gradually rising prices for high grade bonds. Member bank reserves have been piling up rapidly during the past few months in response to the return flow of gold and hoarded money, augmented of recent weeks by a considerable issue of the new national bank notes. In fact bank deposits throughout the country have already increased, since the middle of July, by over a billion dollars, and there is every reason to suppose that such expansion in the currency will proceed at an accelerated pace until further vitality is injected into the pulse of business. In the steel industry also there are indications that the worst may have been seen and that henceforth there will be a slowly rising demand from railroad and miscellaneous sources, augmented within a few months by orders from new construction to be financed by the Reconstruction Finance Corporation, along with repairs and renovations of residential buildings fostered by industrial capitalists in co-operation with the Home Loan Banks. Early next year, the pace of recovery is likely to be accelerated by resumption of productive activities made necessary by the present dull pace of many essential industries and unseasonably early shut downs in the closing months of 1932. This, along with uncertainties incident to the November election and natural doubts as to the character of legislation to be fostered by the new Congress, is likely to



cause a moderate amount of hesitation in embarking upon new undertakings during the next few months, and thus postpone a resumption of the recovery in business until after the year-end holidays. Thus the immediate outlook is somewhat mixed, as will appear from a more detailed examination of the situation in some of the prominent industries.

The Trend of Major Industries

STEEL—Steel ingot production has been rising slowly, from the low of around 12% of capacity to a little above 18% last week, and there is a hopeful feeling in the trade that the seasonal recession toward the holidays may not be so severe this year as it has been in previous years of the depression. As mentioned above, a fair demand from miscellaneous sources is coming into the market, orders for rails and equipment steel are picking up a little, and a tendency to firmness in the price structure is beginning to stimulate a moderate amount of stocking up by jobbers. Beginning with the new year, orders will appear in larger volume from the motor car industry and from repair and new construction work to be financed by various Government agencies. Thus it seems quite likely that the lowest point in output was reached last summer.

METALS—Reflecting a speculative movement of raw material from the bins of producers into the warehouses of middlemen, visible inventories of all non-ferrous metals declined slightly during August, and the accompanying rise in price should make it possible for some of the stronger mines and smelters to reduce losses in the third quarter. Since our last issue, however, activity in the metal markets has subsided and prices have been shaded here and there. In view of excessively large inventories in producers' hands it is evident that a restoration of satisfactory earnings must wait upon a substantial recovery in demand from such important consuming sources as the automobile and building industries.

PETROLEUM—Recent action of the State Commission in again reducing the permissable output of Texas wells, should eventually prove of considerable benefit to the industry; but has come too late to undo the damage already inflicted upon the price structure by the previous mistaken policy of easing restrictions. In consequence of the rise in production which immediately ensued upon this letting down of the bars, the gasoline market has fallen into a less favorable condition, and even crude prices are beginning to weaken. Profits in the fourth quarter are thus likely to compare unfavorably with third quarter earnings.

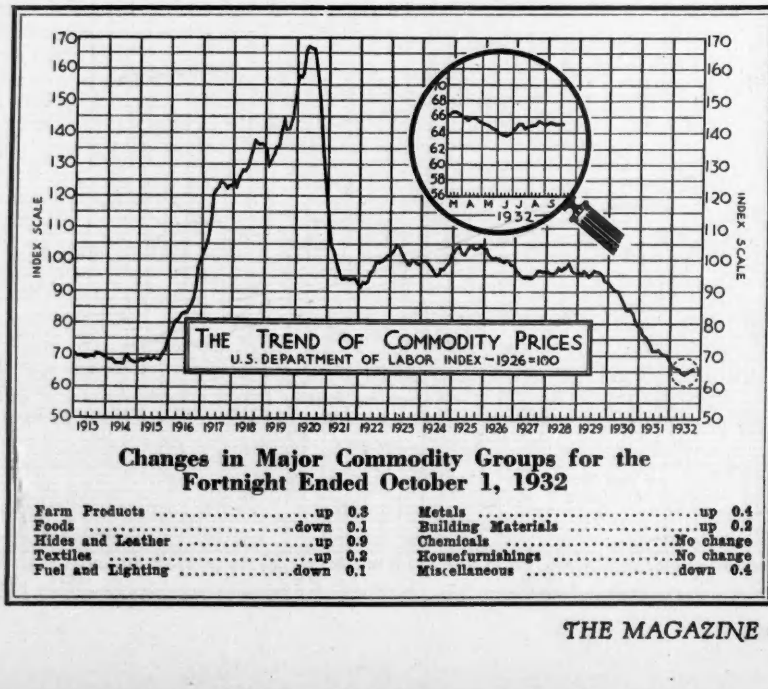
CONSTRUCTION — Now that the Home Loan Banks have begun to operate, and as the granting of loans by the Reconstruction Finance Corporation is speeded up, a gradual improvement in the volume of new construction and repair work should become evident from now on; though the major portion of such activities must necessarily await the coming of spring. Nothing approaching the boom time profits of a few years ago can be expected, however, among either builders or supply companies, from a hot-house bred plant which must at best prove sickly in comparison with the sturdy growths that spring from a soil prepared by the action of natural economic agencies.

MERCHANDISING—Higher prices for farm products have brought a moderate increase in business to the large mail order houses during the past two months, while the earlier improvement in stocks and bonds have led to some pick-up in department store sales at New York. But now that the prices for both securities and agricultural commodities have turned reactionary, it begins to seem doubtful if the improvement will hold long enough to save the majority of mercantile establishments from reporting heavy deficits for the current fiscal year. In fact it is generally conceded that a return to normal profit levels must lag behind any improvement in general business activity, since a restoration of wages and buying power must come before any great betterment in the volume of retail sales.

CHEMICALS—Activity in the textile industry and a few other lines, coupled with drastic price concessions has resulted in considerable increase in demand for basic chemicals. Most of the new buying, however, has been supplied from stocks and little increase in productive activity is noted. Prospects of material or nearby improvement in earnings position of principle makes is but little if any brighter.

Conclusion

Thus it appears that, while general business conditions reached their lowest ebb during the early summer months, the improvement which has since taken place is by no means evenly distributed and is beginning to show signs of hesitation which may become somewhat more pronounced as the holiday season draws near. Barring adverse developments, however, which at present seem unlikely to appear in the near future, a resumption of the recovery on perhaps a broader scale should become evident shortly after the opening of the new year. In the meantime third quarter earnings of companies which have benefited by the recent spurt in activity should make a somewhat more favorable comparative showing than corresponding reports for the first half of 1932.

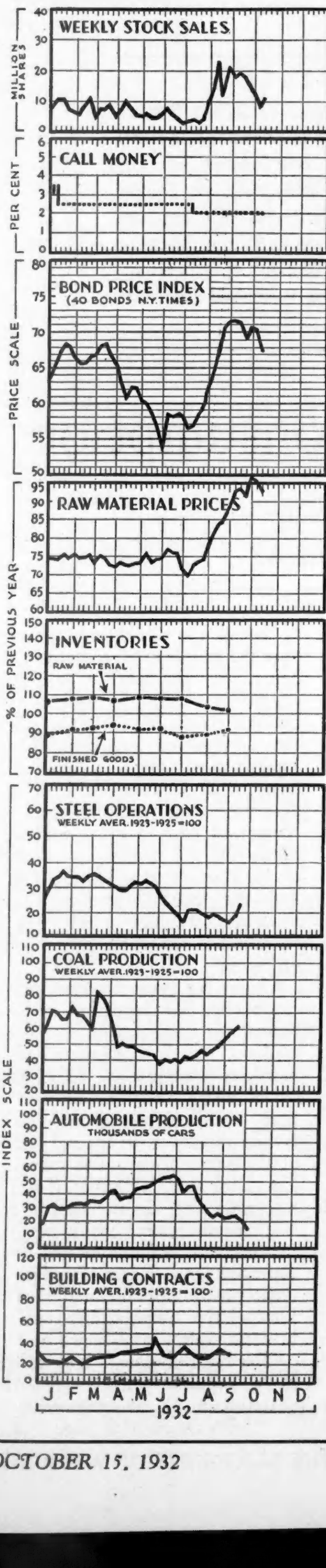


Changes in Major Commodity Groups for the Fortnight Ended October 1, 1932

Farm Products	up 0.3	Metals	up 0.4
Foods	down 0.1	Building Materials	up 0.2
Hides and Leather	up 0.9	Chemicals	No change
Textiles	up 0.2	Housefurnishings	No change
Fuel and Lighting	down 0.1	Miscellaneous	down 0.4

The Magazine of Wall Street's Indicators

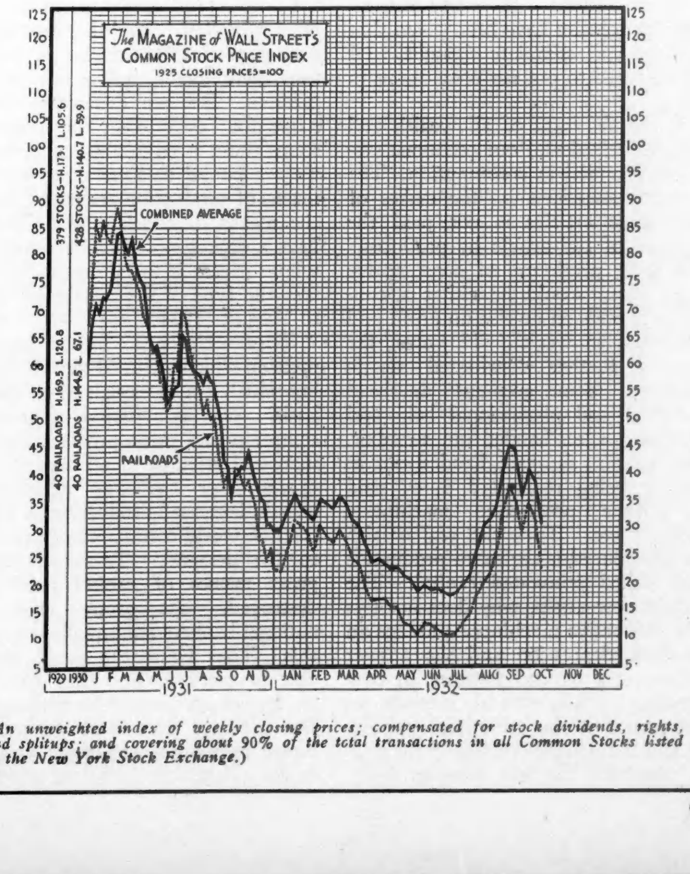
Business Indexes



Common Stock Price Index

1931 Indexes High	1931 Indexes Low	1931 Indexes Close	No. of Issues		1932 Indexes High	1932 Indexes Low	Sept. 24	Oct. 1	Oct. 8
84.4	29.2	30.0	345	COMBINED AVERAGE	45.0	17.5	40.8	38.2	30.4
142.4	33.0	34.8	4	Agricultural Implements....	66.8	17.9	55.9	52.7	40.0
121.2	19.7	21.2	7	Amusements	59.3	11.4	45.4	42.1	30.5
76.9	23.9	23.9	21	Automobile Accessories	31.3	10.7	31.3h	27.9	21.0
37.0	12.1	13.1	16	Automobiles	17.6	5.8	16.7	15.8	12.2
74.2	22.3	31.7	4	Aviation (1927 Cl.—100)....	62.5	16.2	62.5h	56.2	46.6
38.4	8.3	9.7	3	Baking (1926 Cl.—100).....	13.1	4.8	10.4	9.6	7.3
212.8	112.5	112.5	2	Biscuit	129.9	60.1	115.2	108.0	96.0
162.2	48.1	49.5	5	Business Machines	83.8	29.6	76.1	71.7	54.9
188.5	96.5	99.3	2	Cans	119.0	51.0	95.2	96.1	82.7
157.8	76.2	81.6	7	Chemicals & Dyes..........	113.3	53.6	110.4	109.0	88.1
71.8	20.8	21.4	3	Coal	44.3	13.1	35.5	36.0	28.3
73.7	18.9	19.5	19	Construction & Bldg. Mat....	24.8	9.9	23.7	20.9	16.6
92.4	30.1	30.2	11	Copper	57.2	14.9	49.6	42.6	32.5
98.0	45.8	47.2	2	Dairy Products	57.8	28.3	41.7	40.3	34.2
30.2	9.6	10.1	9	Department Stores	16.3	4.5	12.7	12.6	10.6
120.4	52.0	53.1	8	Drug & Toilet Articles......	74.3	35.1	66.2	60.4	52.6
149.3	44.7	46.9	5	Electric Apparatus	63.9	28.7	55.7	52.6	42.3
21.5	4.3	4.6	3	Fertilizers	10.2	2.2	7.3	7.0	5.4
91.3	40.8	41.7	2	Finance Companies	58.7	23.7	44.0	42.7	37.1
80.1	43.7	45.3	7	Food Brands	56.1	28.3	52.5	49.8	43.6
83.0	44.4	45.0	3	Food Stores	56.4	33.9	53.2	52.6	46.3
51.7	21.7	21.8	3	Furniture & Floor Covering..	48.1	11.7	32.3	32.7	25.6
45.5	16.6	17.0	5	Household Equipment	21.1	9.6	16.4	15.3	14.4
89.5	17.1	19.1	10	Investment Trusts	31.5	9.5	29.5	28.1	22.6
96.3	26.1	26.1	3	Mail Orders	27.4	7.7	24.1	25.2	17.8
69.2	22.3	23.4	31	Petroleum & Natural Gas...	42.4	21.6	36.5	35.2	31.5
68.8	12.7	13.0	4	Phonos. & Radio (1927—100)	22.5	6.2	18.3	17.3	12.4
196.8	77.0	78.1	20	Public Utilities	94.9	37.1	84.5	79.2	65.5
73.1	20.6	21.2	10	Railroad Equipment	37.8	12.0	32.2	30.5	22.9
88.4	22.5	22.5	30	Railroads	37.8	10.4	34.5	31.5	22.3
100.7	41.8	41.8	3	Restaurants	44.4	14.9	39.9	36.2	28.7
38.0	8.8	8.8	3	Shipping	14.3	4.1	11.0	9.6	7.5
183.4	82.0	82.0	2	Soft Drinks (1926 Cl.—100).	89.9	59.0	85.8	78.8	66.3
92.3	25.3	25.8	9	Steel & Iron	45.9	11.7	39.5	36.4	27.5
18.9	7.3	7.3	5	Sugar	12.4	3.8	9.3	9.2	7.7
218.0	84.2	89.5	2	Sulphur	121.6	53.6	116.8	111.6	94.7
132.4	44.5	44.5	3	Telephone & Telegraph	57.2	21.0	56.6	53.2	40.5
46.0	16.1	18.2	5	Textiles	52.2	16.3	42.3	41.6	30.9
15.8	4.4	4.9	5	Tires & Rubber	11.7	2.5	7.9	7.3	5.0
78.6	47.0	48.3	5	Tobacco	68.6	40.8	62.0	60.4	54.9
86.1	26.1	26.1	4	Traction	57.0	17.9	25.8	25.4	19.6
82.0	44.5	44.9	2	Variety Stores	50.9	23.3	41.2	40.5	34.2

h—New high record this year.



(An unweighted index of weekly closing prices; compensated for stock dividends, rights, and splitups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

READERS' FORUM

The Readers' Forum belongs to the readers of THE MAGAZINE OF WALL STREET *and is intended exclusively to serve them in the discussion of problems of general investment interest. This department welcomes and invites contributions from its readers without imposing rigid restrictions as to their choice of subject matter. Stories of personal experience with, or personal opinion upon, investment problems, are particularly appropriate since they often are of interest to many. The services of this department also are available for answering investment questions of general interest excluding inquiries regarding the position or prospects of individual securities.*

Gearing Production to Consumption

A Diagnosis of Our Economic Ailment—
But Can Anyone Suggest the Remedy?

EDITOR, READERS' FORUM:

One of the by-products of a depression is time for millions to think. The trouble is the majority of thought is apt to be radical. So many reasons for the depression have been given that one more will stimulate thought, so I have ventured to put my conclusions in writing.

I figure the basis of all wealth and all the vicissitudes of our economic system are founded in consumption. The time-worn statement is "the maker of consumptive articles is not paid the the value of the article he produces." If all were producers of consumptive articles there would be either a continuous depression or else no profit and no increase in wealth. However, the excess is further distributed among consumers. Some goes into overhead or clerical and professional help and advertising, i. e., handed out to labor. What remains is again handed out to labor, by being reinvested, i. e., paid for further productive machinery, buildings, etc. Thus the real wealth that is produced is the extra productive means called reinvested capital. The question now arises, why does not this extra productive machinery produce an immediate depression and the answer is, there is a natural increase in consumption. This natural increase in consumption is the growth of population and the increased tastes of the people. America has been prosperous because the wages have been high enough and goods have been exploited enough to develop a high type of life with high consumption. *Now if the profit made, i. e., the capital reinvested in the means of production, could be regulated to keep step with the increase in consumption there would be no economic depression.* But in a democracy, another name for "every man for himself," it seems there is no method of control, so we are bound to have times when the means of production are far in excess of the means of consumption. Then we have a depression which is a war to see whose excess is to be destroyed. This was the type of depression we had up to August, 1931.

Then we stepped into a larger depression which included the whole world but which can be explained on the same basis. War is a period of great consumption and great profits. Hence an increased attempt to reinvest the great excess after the war which means greatly increased production or interest. But the world consumption is not equal to the demand. To reach stability, great masses of capital need to be destroyed. At present the international bankers are unwilling to accept this. They figure the world has been able to carry on and they have come on top in previous wars, why not now? But previous wars were generally between two states and there was never before a destruction or construction equal to that of the world war. In previous wars the people of other states indirectly helped pay the interest and principal on the war debt, as well as the belligerent countries. All the world today is involved and cannot consume enough to pay the war debt and its interest. The international bankers think otherwise and prolong our misery. Sooner or later, a great part of these debts, both public and private, will have to be discounted. Russia, Germany, and the South American republics have in a way done so but there is need for further reduction either voluntary or forced.

Under the present system no gain is made over the regulated system suggested, for there can be no more profit made or wealth accumulated than that based on consumption. Much better to travel along orderly, without strain, than to speed ahead and then rest awhile to recover. In the end you recover at the same place. The extra gain is lost at the stops. Further, if less profits are made and less invested in productive means more could be paid in salaries, thus higher types of living encouraged and larger families, hence greater consumption and greater wealth. Low relative wages at any time is a loss in consumption and hence in wealth.

The big question is how to regulate in a republic without reverting to paternalism or a dictatorship as in

(*Please turn to page* 722)

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer, by mail or telegram, inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts but be brief.
2. Confine your requests to *three listed securities.*
3. Write full name and address plainly, and enclose stamped, self-addressed envelope.
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

Special rates upon request for those requiring additional service.

J. C. PENNEY CO.

My broker has strongly urged the purchase of J. C. Penney Co. stock but I would like your opinion first. I would appreciate as much information as possible, especially as to the possibilities of any dividend adjustments.—L. A. F., Boston, Mass.

Dollar sales volume of J. C. Penney Co. has followed a rather pronounced downward course in the more recent past; the decline in the month of August amounted to 18.8% as compared with the corresponding month of 1931, while in the eight months ended August 31st, last, the reduction was 11.5%. The decrease, however, has been less than the general decline of commodity prices, reflecting, in effect, increase in unit sales volume. Operating expenses have been sharply reduced, although such savings have not been sufficient to offset the decline in gross revenues. Consequently, profits for the first six months of 1932 declined to $2,603,257 from $4,210,909 in the corresponding interval of 1931. After allowing for divided requirements on the 6% preferred stock, per share returns amounted to 81 cents and $1.46 respectively. In reflection of lower earnings, dividends on the common stock were reduced to a quarterly basis of 45 cents a share as compared with the former rate of 60 cents a share.

Financial condition of the companv on June 30, last, was strong, total current assets amounting to $54,352,325 including $8,527,631 cash, against total current liabilities of $6,480,700 leaving net working capital of $47,871,625. The company has no bank loans or funded debt, its capital set-up comprising 199,215 shares of 6% preferred stock (par $100) and 2,469,984 shares of no par common stock. J. C. Penney occupies a prominent position in the chain store merchandising field, operating, at latest reports, 1463 popular priced dry goods stores. The management has constantly maintained a policy of passing on to customers, savings effected through declining commodity prices, thus strengthening the competitive position of the company. We maintain a constructive attitude toward the future prospects of Penney, and are of the opinion that the common stock should prove a profitable commitment over the longer term. Consequently, accumulation of the shares on any recession, for inclusion in a well rounded portfolio, is advocated.

BEECH-NUT PACKING CO.

I own 100 Beech-Nut and am thinking of buying 50 more on the next sizable reaction. Would you look favorably upon this? Or had I better place my money elsewhere for the long pull?—A. L. K., Cincinnati, Ohio.

Beech-Nut Packing Co. reported for the six months ended June 30, 1932, net income of $1,109,291 as compared with $1,329,338 in the corresponding interval of 1931. Reduced to a per share basis on the common stock after allowing for estimated Federal taxes, and dividends on 45 shares of class A preferred stock, the above results equalled $2.15 a share and $2.63 a share respectively. The remarkable stability of earnings may be attributed to the fact that approximately one-half of the company's business is derived from the sale of chewing gum and package candy, demand for which has suffered but slightly during the current depression, and profits from which have largely counterbalanced declining profit margins on its semi-luxury food products. Present indications are that full 1932 returns will amount to between $3.75 and $4 a share, an amount substantially in excess of the current dividend rate, $3 annually. Net income for the calendar year 1931 equalled $4.75 a share on the common stock as compared with $5.52 a share in the preceding year.

Financial position of the company as of June 30, 1932, was excellent, total current assets amounting to more than 20 times total current liabilities. Cash and U. S. Government bonds amounted to $6,021,756 while other marketable securities were carried at $1,042,755 against total current liabilities of $722,259. Net current assets as of June 30, last, amounted to $31.91 a share on the common stock. The company has no

(*Please turn to page* 728)

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New York Stock Exchange

RAILS

	1930		1931		1932		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	10/5/32	Share
Atchison	242⅛	168	202⅝	79¼	94	17⅞	46¾	..
Do Pfd.	108¾	100	108¼	75	86	35	70	5
Atlantic Coast Line	175½	95¼	120	25	44	9¾	24	..
B								
Baltimore & Ohio	122⅜	55⅝	87⅞	14	21¾	3¾	13⅞	..
Bangor & Aroostook	84½	50⅛	66¾	18	35¾	9½	27½	2
Brooklyn-Manhattan Transit	78⅜	55⅛	69⅜	31⅛	50¼	11⅛	21⅛	..
Do Pfd.	98¾	83	94¼	63	78⅜	31½	58½	6
C								
Canadian Pacific	52¼	35¼	45⅜	10¾	20⅝	7¼	15⅞	..
Chesapeake & Ohio	51⅜	32⅝	46½	23⅝	31½	9¾	21	2½
C. M. & St. Paul & Pacific	26⅜	4¼	8⅞	1½	4½	¾	2¾	..
Do Pfd.	46¼	7¾	15⅜	2½	8	1⅛	4⅛	..
Chicago & Northwestern	89⅞	28½	45½	5	14½	2	7⅞	..
Chicago, Rock Is. & Pacific	125⅛	45¼	65½	7⅞	16⅜	1½	7	..
D								
Delaware & Hudson	181	130⅛	157¼	64	92½	32	65	6
Delaware, Lack. & Western	153	69½	102	17¾	45⅞	8½	31¾	..
E								
Erie R. R.	63¾	22⅛	39¾	5	11¾	2	7⅛	..
G								
Great Northern Pfd.	102	51	69¾	15⅝	25	5½	14⅞	..
H								
Hudson & Manhattan	53⅜	34⅞	44½	26¼	30¾	8	18⅞	3½
I								
Illinois Central	136¾	65¾	89	9⅛	24⅞	4¾	16⅛	..
Interborough Rapid Transit	39½	20⅝	34	4⅝	14⅝	2¼	4	..
K								
Kansas City Southern	85⅜	34	45	6⅞	15¼	2¼	9⅛	..
Do Pfd.	70	53	64	15	25¼	5	18½	2
L								
Lehigh Valley	84⅞	40	61	8	29¼	5	18	..
Louisville & Nashville	138½	84	111	20¼	38¼	7½	24	..
M								
Mo., Kansas & Texas	66⅜	14⅞	26¾	3⅞	13	1¼	7¾	..
Do Pfd.	108⅜	60	85	10½	24	3¼	18	..
Missouri Pacific	98½	20⅜	42¾	6⅝	11	1½	5⅝	..
Do Pfd.	145½	79	107	12	26	2½	10¼	..
N								
New York Central	192¾	105⅛	132¼	24⅞	36⅝	8¾	23⅞	..
N. Y., Chic. & St. Louis	144	73	88	2½	9¾	1½	4	..
N. Y., N. H. & Hartford	128⅛	67⅝	94⅞	17	31⅝	6	16⅜	..
Norfolk & Western	265	181½	217	105⅝	135	57	99	8
Northern Pacific	97	42⅜	60⅞	14½	25⅜	5½	18½	..
P								
Pennsylvania	86⅝	53	64	16¼	23⅜	6½	16¾	..
R								
Reading	141½	73	97½	30	52¼	9½	40½	1
S								
St. Louis-San Fran.	118⅞	39¾	62¾	3	6⅝	⅝	3⅜	..
St. Louis-Southwestern	76¾	18	33½	4¼	13⅞	3	9	..
Southern Pacific	127	88	109½	26½	37⅝	6½	22⅝	..
Southern Railway	136¾	46½	65⅞	6⅜	18½	2½	9⅝	..
Do Pfd.	101	76	83	10	23¾	3	12	..
U								
Union Pacific	242¾	166½	205⅛	70⅛	94½	27⅝	67⅛	6
W								
Western Maryland	36	10	19⅝	5	11⅜	1⅛	7½	..
Western Pacific	30½	7½	14⅞	1¾	4¾	½	2½	..
Do Pfd.	53½	23	31⅝	3	8⅞	¾	4	..

INDUSTRIALS and MISCELLANEOUS

	1930		1931		1932		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	10/5/32	Share
Adams Express	37⅜	14¼	23½	3⅛	9½	1⅝	6½	..
Air Reduction, Inc.	156⅜	87½	109¾	47⅝	63½	30⅞	54¼	3
Allegheny Corp.	35¼	5¾	12¾	1⅞	3⅝	⅜	2	..
Allied Chemical & Dye	343	170¼	182¾	64	88¼	42½	75⅝	6
Allis Chalmers Mfg.	68	31¼	42¾	10⅛	15⅜	4	10	..
Amer. Brake Shoe & Fdy	54⅝	30	38	13½	17⅞	6½	13½	.60
American Can	156½	104⅝	129¾	58⅛	73⅞	29⅝	50⅜	4
Amer. Car & Fdy	82½	24⅛	38¾	4½	17	3⅛	10	..
Amer. & Foreign Power	101¾	25	51¾	6⅛	15	2	8¾	..
American Ice	41⅞	24⅛	31⅝	10½	21⅝	7⅝	8	1
Amer. International Corp	55⅜	16	26	5	12	2½	7½	..
Amer. Mchy. & Fdry	45	29¾	43¾	16	22¼	7½	13	.80
Amer. Power & Light	119⅜	36⅛	64⅞	11⅝	17¼	3	10½	..
Amer. Radiator & S. S.	39¾	15	21½	5	12¼	3⅛	8¼	..
Amer. Rolling Mill	100⅞	28	37⅜	7⅜	18½	3	12⅜	..
Amer. Smelting & Refining	79½	37½	58½	7½	27¼	5⅛	16⅝	..
Amer. Steel Foundries	52¼	23½	31¼	5	15⅛	3	8¾	..
American Stores	55½	36½	48¼	38	36¾	20	33½	*2½
Amer. Sugar Refining	69⅞	39¼	60	34½	39¼	13	24¼	2
Amer. Tel. & Tel	274¼	170⅜	201¾	112⅛	137⅜	70¼	107	9
Amer. Tobacco Com	127	98½	128¾	60½	86¾	40½	73	*6
Amer. Water Works & Elec	124⅞	47⅝	80¾	23⅛	34½	11	24	2
Anaconda Copper Mining	81½	25	43¼	9¼	19⅝	3	10⅝	..
Assoc. Dry Goods	50½	19	29⅝	5¾	11	3	8	..
Atlantic Refining	51⅜	16⅝	23⅝	8⅝	21⅞	8⅝	15¾	1
Auburn Auto	263¾	60⅝	295½	84⅛	151¾	28¾	48	4

Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1930 High	1930 Low	1931 High	1931 Low	1932 High	1932 Low	Last Sale 10/5/32	Div'd $ Per Share
B								
Baldwin Loco. Works	38	19⅜	27⅞	4⅝	12	2	7½	..
Barnsdall Corp. Cl. A	34	8⅝	14½	4	7	3⅜	4⅝	..
Bendix Aviation	57⅜	14¼	25½	12⅝	18¾	4½	12	..
Best & Co.	56¼	30⅜	46¼	19¾	24⅞	5¾	13⅛	..
Bethlehem Steel Corp	110¼	47⅜	70⅜	17¼	29⅝	7¼	20¼	..
Bohn Aluminum	69	15¾	43	15½	22¼	4⅞	11⅜	..
Borden Company	90⅜	60⅛	76½	35⅛	43⅛	20	28⅜	2
Borg Warner	50½	15	30¾	9	14¼	3⅜	9½	..
Briggs Mfg.	25⅜	12⅛	22¾	7½	11¾	2⅞	5½	..
Burroughs Adding Mach	51⅞	18⅜	32¼	10	13¼	6¼	9¼	.80
Byers & Co. (A. M.)	112⅜	33⅛	69¾	10⅞	24⅝	7	16½	..
C								
California Packing	77½	41¼	53	8	19	4¼	12½	..
Calumet & Hecla	33⅜	7¾	11⅜	3	7⅞	1½	4½	..
Canada Dry Ginger Ale	75⅜	30½	45	10⅜	15	6	10⅛	1.20
Case, J. I.	362¾	83½	131½	33¼	65¾	16¾	46⅝	..
Caterpillar Tractor	79¾	22	52½	10¼	15	4⅜	9¾	.50
Cerro de Pasco Copper	65⅜	21	30⅛	9⅞	15⅛	3½	8¼	..
Chesapeake Corp.	82½	32¼	54⅛	13⅞	20¾	4⅞	13½	2
Childs Co.	67⅝	22⅞	33¾	5⅛	8	1½	5½	..
Chrysler Corp.	43	14⅛	25¾	11¾	21¾	5	15	1
Coca-Cola Co.	191⅜	133¼	170	97½	120	74½	94½	*8
Colgate-Palmolive-Peet	64⅞	44	50½	24	31½	11	14¾	1
Colorado Fuel & Iron	77	18¾	32¼	6½	14⅞	2⅞	8¾	..
Columbian Carbon	199	65⅛	111⅝	32	41⅞	13½	30	2
Colum. Gas & Elec	87	30⅝	45⅝	11⅝	21	4¼	15	1
Commercial Credit	40¾	15½	23¼	8	11	3⅞	5½	..
Commercial Solvents	38	14	21½	6⅝	13¾	3½	10	.60
Commonwealth & Southern	20½	7½	12	3	5⅛	1⅝	3½	..
Consolidated Gas of N. Y.	136⅞	78¼	109⅝	57¼	68¾	31½	57½	4
Continental Baking Cl. A	52½	16¾	30	4½	8	2⅞	4¾	..
Continental Can, Inc.	71⅝	43½	62¾	30¼	41	17⅝	32¼	2
Continental Oil	30½	7¾	12	5	9⅜	3⅝	5⅞	..
Corn Products Refining	111⅜	65	86⅝	36¼	55⅜	24¾	48	3
Cudahy Packing	48	38⅛	48⅞	29	35½	20	29	2½
Curtis Publishing	126⅛	85	100	20	31	7	16⅝	..
Curtiss Wright, Common	14⅞	1¾	5⅞	1	3¼	⅞	2⅛	..
D								
Davison Chemical	43⅝	10	23	3½	9¼	1	4¾	..
Diamond Match	24⅞	10	23	10⅝	19⅛	12	18¼	1
Dominion Stores	30⅝	12	24	11	18½	11¼	15½	*1½
Drug, Inc.	87⅜	57⅝	78¾	42¾	57	23	37	4
Du Pont de Nemours	145¼	80½	107	50¾	59¾	22	36⅝	2
E								
Eastman Kodak Co.	255¼	142⅛	185¾	77	87⅞	35¼	51¼	3
Eaton Mfg.	37¼	11⅝	21⅞	5⅜	9⅞	3	6⅞	..
Electric Auto Lite	114⅞	33	74⅜	20	32¾	8½	19	1.20
Elec. Power & Light	108½	34⅜	60¾	9	16	2¾	9¾	..
Elec. Storage Battery	79¼	47½	66	23	33¼	12⅝	24¾	2
Endicott-Johnson Corp.	59⅝	36⅞	45⅜	23½	37¼	16	31	3
F								
Firestone Tire & Rubber	33⅛	15⅛	21½	12⅞	18⅞	10½	12	1
First National Stores	61⅜	33⅝	63	41	54¼	35	50	2½
Foster Wheeler	104½	37½	64½	8	15⅞	3	10	..
Fox Film Cl. A	57⅜	16⅛	38⅜	2½	5⅞	1	3½	..
Freeport Texas Co	55½	24⅛	43¼	13¼	26⅞	10	22½	2
G								
General Amer. Tank Car	111⅞	53⅛	73⅛	28	35¾	9½	18	1
General Asphalt	71⅛	22⅜	47	9⅝	15½	4¾	8½	..
General Electric	95⅜	41½	54¾	22⅞	26⅛	8½	16⅝	.40
General Foods	61¼	44⅜	56	28¼	40½	19⅝	29⅞	2
General Mills	59⅛	40⅛	50	29⅛	48½	28	45	3
General Motors Corp	54¼	31½	48	21⅜	24⅝	7⅝	15	1
General Railway Signal	106⅞	56	84⅛	21	28⅝	6⅛	14¾	1
General Refractories	90	39	57⅜	12	15⅜	1¾	9	..
Gillette Safety Razor	106⅛	18	38¾	9¼	24¼	10⅜	17¾	1
Gold Dust Corp	47⅞	29	42⅛	14½	20⅝	8¼	17¾	1.60
Goodrich Co. (B. F.)	58½	15¼	20⅞	3⅜	12⅜	2¼	6¾	..
Goodyear Tire & Rubber	96⅞	35⅛	52¾	13¾	29¾	5½	18⅛	..
Granby Consol. Min., Smelt. & Pr.	59⅞	12	22⅝	5¼	11⅝	2⅜	7¼	..
Grand Union	20⅝	10	18⅞	7	9¾	3½	7	..
Great Western Sugar	34½	7	11⅞	5¾	12	3¼	7⅞	..
Gulf States Steel	80	15	37½	4	21⅛	2½	15	..
H								
Hershey Chocolate	109	70	103¾	68	83	43½	59½	6
Houston Oil of Texas (New)	‡116⅞	‡29¼	14	3	5⅜	1⅝	3½	..
Hudson Motor Car	62⅞	18	26	7¾	11¾	2⅞	6½	..
Hupp Motor Car	26⅝	7½	13⅛	3¾	5⅜	1½	3½	..
I								
Inter. Business Machines	197⅛	131	179¾	92	117	52½	96¼	6
Inter. Cement	75⅜	49½	62½	16	18¾	3⅝	11¾	..
Inter. Harvester	115¾	45¼	60½	22⅜	34⅛	10⅜	24⅞	1.20
Inter. Nickel	44⅝	12¾	20⅛	7	12½	3½	8¾	..
Inter. Tel. & Tel	77⅜	17⅛	38¾	7⅛	15¾	2⅝	10⅞	..
J								
Jewel Tea	66½	37	57½	24	35	15⅛	29	*4½
Johns-Manville	148⅜	48¾	80¾	15⅝	33⅜	10	24½	..
K								
Kelvinator	26⅝	7⅜	15½	6	10⅜	2¾	5	..
Kennecott Copper	62¾	20⅛	31½	9⅝	19¼	4⅞	11¾	..
Kresge (S. S.)	36¾	26⅛	29⅝	15	19	6⅝	11¼	1
Kreuger & Toll	35⅜	20⅜	27¾	4¼	9⅛	1/32	¼	..
Kroger Grocery & Baking	48⅛	17⅛	35½	12½	18⅞	10	15½	1
L								
Lambert Co.	113	70⅜	87⅞	40⅛	56¾	25	38⅜	*5
Lehn & Fink	36	21	34¾	18⅛	24¼	6	16½	2
Liggett & Myers Tob. B	114⅜	78¼	91¾	40	67¼	34⅛	62¾	*5
Liquid Carbonic	81⅞	39	55⅛	13⅛	22	9	12	..

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1930		1931		1932		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	10/5/32	Share
L								
Loew's Inc.	95¾	41⅜	63½	23⅞	37⅞	13¼	30	*4
Loose-Wiles Biscuit	70¼	40¼	54⅞	29⅞	36⅜	16⅛	26	2
Lorillard	28⅛	8¾	21⅞	10	18⅜	9	14⅞	1.20
M								
Mack Truck, Inc.	88⅛	33⅜	43⅞	12	28¾	10	21¾	1
Macy (R. H.)	159¼	81⅝	106¼	50	60½	17	42½	2
Magma Copper	52½	19¼	27⅜	7⅛	13¾	4½	8½	.50
Marine Midland	32½	17¾	24¼	9¼	14⅜	6½	11	.80
Mathieson Alkali	51⅜	30⅛	31½	12	20⅞	9	16⅛	1½
May Dept. Stores	61⅜	27¾	39	15⅝	20	9½	15⅞	1
McKeesport Tin Plate	89½	61	103½	38½	62¼	28	48	4
Mont. Ward & Co.	49⅞	15⅛	29¼	6⅝	16½	3½	13½	..
N								
Nash Motor Co.	58½	21¼	40⅞	15	19¾	8	14	1
National Biscuit	93	68⅝	83¾	36⅜	46⅞	20¼	38	2.80
National Cash Register A	83½	27⅝	39¾	7⅛	18¾	6½	11⅞	..
National Dairy Prod	62	35	50¾	20	31⅜	14⅜	19½	2
National Power & Light	58¾	30	44¼	10¼	20⅜	6⅝	15	1
Nevada Consol. Copper	32⅜	9	14¾	4¾	10¼	2½	6½	..
North Amer. Aviation	15⅝	4¼	11	2⅜	5⅞	1¼	4	..
North American Co.	132⅞	57¼	90¼	26	43¼	13¾	30¾	§10%
O								
Ohio Oil	34⅛	16	19½	5⅛	11	5	8⅛	.40
Otis Elevator	80⅜	48¼	58½	16⅛	22½	9	13¼	1
Otis Steel	38⅞	9½	16⅜	3½	9¼	1¼	5¾	..
P								
Pacific Gas & Electric	74⅞	40⅛	54⅞	29⅝	37	16⅞	28½	2
Packard Motor Car	23⅜	7¼	11⅞	3⅞	5¼	1½	3½	..
Paramount Publix	77¼	34¾	50¼	5½	11½	1⅛	4½	..
Penney (J. C.)	80	27⅝	44⅜	26¾	34½	13	22¼	1.80
Phelps Dodge Corp	44⅜	19¾	25⅝	5⅞	11⅝	3⅞	6¾	..
Phillips Petroleum	44¾	11⅛	16⅝	4	8⅛	2	5½	..
Procter & Gamble	78⅞	52⅝	71¼	36⅝	42¾	19⅞	31	2
Public Service of N. J.	123¾	65	96½	49⅛	60	28	49	3.20
Pullman, Inc.	89⅜	47	58½	15¼	28	10½	22¼	3
Pure Oil	27¼	7⅝	11⅞	3¼	6½	2⅞	4½	..
Purity Bakeries	88⅞	36	55¼	10¾	15⅞	4⅜	10	1
R								
Radio Corp. of America	69⅜	11⅜	27⅛	5⅛	13½	2½	8⅜	..
Radio-Keith-Orpheum	50	14⅜	4	2¾	7¾	1½	4½	..
Remington-Rand	46½	14⅛	19¾	1⅞	7½	1	5	..
Republic Steel	79½	10⅛	25⅜	4⅛	13⅞	1⅞	8⅜	..
Reynolds (R. J.) Tob. Cl. B	58⅝	40	54½	32½	40¼	26½	33⅞	3
Royal Dutch	56½	36⅞	42⅝	13	23¾	12⅛	21	.80½
S								
Safeway Stores	122⅜	38¾	69½	38⅝	59¼	30⅛	49⅛	5
Sears, Roebuck & Co.	100⅝	43⅛	63¼	30¼	37⅜	9⅞	21⅛	..
Servel, Inc.	13½	3⅛	11¾	3½	5⅜	1⅛	2⅝	..
Shell Union Oil	25½	5¼	10¼	2⅛	8¾	2⅛	6	..
Simmons Co.	94⅞	11	23¾	6⅞	13⅜	2¾	9¼	..
Skelly Oil Corp.	42	10⅛	12⅞	2	5¾	2⅛	3⅞	..
Socony-Vacuum Corp.	..	..	21	8⅜	12¼	5¼	9½	.80
So. Cal. Edison	72	40⅛	54½	28⅜	32¾	15¾	27	2
Standard Brands	29¼	14⅛	20½	10½	17⅞	8⅜	14½	1.20
Standard Gas & Elec. Co.	129¼	53⅛	88⅜	25⅛	34¼	7⅝	19¼	2
Standard Oil of Calif.	75	42¼	51¾	23⅛	31⅞	15⅛	24¾	2
Standard Oil of N. J.	84⅞	43½	52½	26	37⅜	19⅞	29⅛	*2
Stewart-Warner Speedometer	47	14¾	21⅞	4¾	8½	1⅞	5½	..
Stone & Webster	113⅜	37½	54½	9⅞	17⅜	4⅝	10½	..
Studebaker Corp.	47¼	18⅛	26	9	13⅜	2⅛	7⅝	..
T								
Texas Corp.	60½	28¼	36¼	9⅞	18¼	9¼	12½	1
Texas Gulf Sulphur	67⅜	40¼	55¾	19½	26¾	12	21⅛	2
Texas Pac. Land Tr.	32⅜	10	17⅝	4¼	8½	2⅛	5½	..
Tide Water Assoc. Oil	17¾	5⅞	9	2⅛	5⅝	2	3¾	..
Timken Roller Bearing	89¼	40⅛	59	16½	23	7¾	16	1
U								
Underwood-Elliott Fisher	138	49	75¾	13⅜	24⅜	7⅜	10	.50
Union Carbide & Carbon	106⅜	52½	72	27⅛	36⅜	15½	26⅛	1.20
Union Oil of Cal.	50	20⅛	26⅝	11	15⅜	8	11¼	1
United Aircraft & Trans.	99	18⅜	38⅞	9⅞	34⅜	6½	25¼	..
United Carbon	84	14⅜	28¾	6⅛	18	6⅝	15	..
United Corp.	52	13⅞	31¼	7⅛	14	3½	9⅞	.40
United Fruit	105	46⅛	67¾	17½	32⅜	10¼	20⅛	2
United Gas Imp.	49⅜	24¼	37½	15⅜	22	9¼	18⅞	1.20
U. S. Industrial Alcohol	139⅜	50½	77⅜	20⅜	36¼	13¼	27¾	..
U. S. Pipe & Fdy.	38¼	18⅛	37⅛	10	18⅛	7¼	12½	2
U. S. Realty	75½	25	36¾	5½	11¾	2	6½	..
U. S. Rubber	35	11	20⅜	3½	10¼	1¼	5½	..
U. S. Smelting, Ref. & Mining	36½	17½	25¾	12⅜	23¾	10	15¾	1
U. S. Steel Corp.	198¾	134⅜	152⅜	36	52⅝	21¼	38⅛	..
Util. Power & Lt. A	45¾	19¼	31	7⅞	10⅜	1½	5	..
V								
Vanadium Corp.	143¼	44⅜	76¾	11	23¾	5¼	15⅛	..
W								
Warren Bros.	65⅜	26⅜	46⅜	3¾	8⅜	1¼	5¼	..
Warner Brothers Pictures	80¼	9¾	20⅜	2⅞	4½	½	2⅝	..
Western Union Tel.	210⅜	122½	150⅜	38½	50	12⅜	34	..
Westinghouse Air Brake	52	31¼	36⅛	11	18⅛	9¼	15½	1
Westinghouse Elec. & Mfg.	201½	88⅛	107⅜	22½	43⅛	15⅝	32	..
White Motor	43	21⅝	26¼	7⅜	27¼	6⅞	23¾	..
Woolworth Co. (F. W.)	70⅜	51½	72¾	35	45⅝	22	37⅛	2.40
Worthington Pump & Mach.	169	47	106⅞	15¼	24	5	15¼	..
Wrigley (W., Jr.)	81	65	80⅜	46	57	25¼	38⅛	3

† Bid Price. § Payable in stock. * Including extras. ‡ Old stock.

Bond Market Uncertainties Increase

(*Continued from page* 703)

traffic as can be had only from a genuine business recovery. The recent rate of advance in carloadings has slackened. The seasonal movement will before long turn downward. Whether such seasonal recession is large or small will throw much light both on the rail outlook and the actual business position.

Foreign bonds have been featured by moderate strength in German Government issues and by sharp advance in Australian bonds, the latter being favored by improvement in Australian finances. Much of the current buying in this market is reported for London account.

United Aircraft & Transport Corp.

(*Continued from page* 709)

ing its facilities in efficient manner, eliminating some of the least profitable plants.

The corporation's best known products include Pratt & Whitney "Wasp" and "Hornet" air-cooled motors, Hamilton propellers, and Boeing, Sikorsky, Stearman and Chance Vought planes of various types. Other subsidiaries operate transport lines throughout the country, carrying approximately half of the nation's air mail and 15% of the total air passengers, and still others operate airports in various localities and carry on both research and instruction in aviation.

Sales and operating revenues have held up well, the total being $31,423,618 in 1929; $29,989,836 in 1930; and $27,752,658 in 1931. Profits, however, have known a disproportionate shrinkage during this period, amounting to $8,058,404 in 1929; $3,410,287 in 1920; and $2,789,621 in 1931. Several factors account for this. First, the major portion of the company's profits in the past have been derived from sale of military planes to the Government. This business has gradually tapered off and the Government has completed a five-year aviation building program. Second, the rates paid for air mail have steadily been reduced.

In short, Government support has being a big, but temporary, factor in giving this company its start. Its future success will depend increasingly upon developing a commercial demand for

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, September 26	70.16	71.06	34.71	68.37	63.98	2,083,970
Tuesday, September 27	70.24	71.49	34.82	66.41	63.82	1,398,770
Wednesday, September 28	70.12	73.52	35.63	67.21	64.75	1,381,900
Thursday, September 29	70.17	71.53	34.70	67.35	64.91	1,337,330
Friday, September 30	69.96	71.56	34.61	65.38	63.47	1,159,060
Saturday, October 1	70.06	72.09	34.80	65.57	64.72	338,330
Monday, October 3	69.86	71.21	33.67	65.34	63.39	1,003,720
Tuesday, October 4	69.86	71.16	33.46	65.53	63.83	1,240,110
Wednesday, October 5	68.79	66.07	29.52	64.06	59.04	2,951,880
Thursday, October 6	68.43	66.28	29.31	60.09	57.90	1,944,412
Friday, October 7	67.84	66.67	27.05	59.68	55.76	2,301,170
Saturday, October 8	67.40	61.17	25.96	56.23	54.31	1,533,280

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Report changes of address direct to us. The post office will not forward copies to your new address unless extra postage is provided by you. Duplicate copies cannot be sent to replace those undelivered through your failure to notify us of change in address at least two weeks before the date of issue with which it is to take effect.

The Magazine of Wall Street

its products and services. The company is alive to this fact and is bending its energies especially to the budding field of air transportation. Passenger traffic, while not yet scratching the surface of ultimate possibilities, is growing with remarkable speed. In the first seven months of this year, for example, United Aircraft lines carried 46,222 passengers, an increase of 111% over the corresponding period of 1931. The expansion of transport lines has involved an initial heavy expense which cuts into profits. Successful development of this field, however, offers profit possibilities both from transportation service and from the manufacture of the equipment that a wider service would demand.

Considering the industrial ravages wrought by this depression and the plight of many of the largest and oldest corporations in the country, it is a striking fact that United Aircraft, an infant enterprise, has at no time run in the red. Profits, while smaller, are still being had and that is no mean achievement. For the first half of this year they amounted to $944,306, or 28 cents a share on the common stock, as compared with $1,648,104, or 61 cents a share, in the first half of last year.

The continuation of profits, plus a strong financial position, offers a convincing guarantee under existing conditions of acute depression that immediate difficulties do not importantly blacken the future outlook. Unlike so many others, this company need have no worries about survival. It is able, therefore, to bend all efforts toward building for the years ahead.

It has no funded debt, capitalization consisting of 180,000 shares of $3 preferred stock after the recent retirement, out of open market purchases, of 60,000 shares; and 2,084,317 shares of common stock.

For those interested in a less speculative medium, the preferred stock is unusually attractive. Not only is the $3 dividend satisfactorily covered by earnings, but each share of preferred carries a warrant for purchase of one-half share of common at $30 per share, the option obtaining until 1938. Through this issue a commitment combining a substantial measure of investment merit and of speculative possibility can be had.

Holdings of cash on June 30 amounted to $4,398,084, United States Government securities to $12,495,862, and municipal and Canadian bonds to $877,298. This would retire all the preferred stock at the redemption price of $55 a share and still leave $1,100,000 for the common shares. The tangible book value of the common stock is $14.21 per share.

Dreams have been built in Wall Street on far less than this.

Readers' Forum

(*Continued from page* 716)

Russia or Italy.—LOUIS J. SCHROEDER, Watertown, Mass.

What Do Others Think?

EDITOR, READERS' FORUM:

I have heard many complimentary remarks from my friends about the way your "bond list" is now amplified and a permanent page in your magazine. Let me add my personal congratulations. I've read your pages many years, always found them safe, sound and profitable. I would like to make a suggestion— why not the same procedure with the preferred stocks, giving a broad view and statistics the same as the bonds and keeping it permanent? This would be an excellent guide and aid to your readers and am sure would be appreciated by all your readers.—WM. S. BENSON, Philadelphia, Pa.

What Is the Investment Outlook for These Companies?

(*Continued from page* 711)

tunities for short swing speculative profits at times of rising prices for wheat and livestock, long-pull investors may find it a more conservative policy to defer purchases until the buying power of agriculture becomes more firmly established and rehabilitation of the company's retail store venture has been completed.

Standard Oil Co. of California

Position of the industry: Slackened control of production nullifies part of the recently made gains.

Co.'s working capital per share . . $6.17

Cash, call loans or marketable securities per share $1.11

Latest earnings per share, (6 mos. to 6/30/32) $0.53

Price	Div.	Yield
$24	$2	8.4%

THOUGH occupying a dominant position in the oil industry of the Pacific Coast, the degree of prosperity enjoyed by the Standard Oil Co. of California has conformed closely to that of the industry in general. In 1929, 1930 and 1931, it suffered in-

creasingly from the over-production of crude and the cutthroat competition which was the inevitable result. These adverse conditions were at their worst during the first part of the current year. Subsequently, with curtailment of crude production, considerable improvement was registered and high hopes were entertained that the industry would shortly regain a thoroughly profitable basis. These hopes have been modified slightly when a deepening depression brought about for the first time a slackened demand for oil and its derivatives and further curtailment became essential if prices were to be maintained. Difficulty has been experienced in carrying out this further curtailment and, with mounting stocks, there has been some weakening of the price structure. While it is impossible to say whether the industry as a whole will lose more ground, there is reason to believe that a repetition of the conditions existing in 1931 will not take place.

For the first six months of the current year, Standard Oil Co. of California reported net income equivalent to 53 cents per share of common stock, comparing with 43 cents a share in the first six months of 1931. The company is strong financially, although the dividend of $2 a share now being paid cannot be considered wholly assured. There is a strong prospect that a merger with the Standard Oil Co. (New Jersey) will be consummated at an early date. Should this take place on a share-for-share basis—as rumor has it—it would of course be more profitable to purchase the California company than the New Jersey company. But apart from this, Standard Oil Co. of California is well able to stand on its own feet and over a period of time its shares should prove a profitable equity holding.

Pullman, Inc.

Position of the industry: Depressed by passenger traffic decline and lack of orders for railroad equipment.

Co.'s working capital per share . $17.64

Cash or governments per share . $10.15

Latest earnings per share, (6 mos. to 6/30/32) . . . . Nil

Price	Div.	Yield
$22	$3	13.7%

THE outstanding features of Pullman's operations subsequent to 1929 have been a steady reduction of activity and earning power in the company's manufacturing division, a continued shrinkage in the volume of passenger traffic with adverse effects on the car-operating division, and a lower income from extensive outside investments. For the first six months of the current year, Pullman, Inc., reported a net loss of $2,144,087 after charges and depreciation, compared with a net profit of $1,075,086 in the corresponding previous period, equivalent to 28 cents a common share.

While Pullman can expect no marked improvement in its old staple lines over the near future, the company is currently benefiting to some extent by the installation of air conditioning equipment. This addition to the comfort of passengers is being used quite extensively on "crack" trains at the present time and the company may possibly expand its air conditioning efforts into other fields. Despite poor current earnings and a not overbright immediate outlook, a more than ordinarily strong cash position lends assurance to the future. At the end of last year, the company's working capital was in excess of $68,000,000, while holdings of cash and United States Government securities totaled nearly $40,000,000. Moreover, the impressiveness of this financial position was in no way impaired by other balance sheet items. There is neither funded debt, bank loans, nor notes payable. Capitalization consists solely of 3,874,566 shares of no-par common stock. A $3 dividend is being paid on this stock, though in view of the deficits now being sustained, it must be considered far from assured. But for those willing to take the risk of dividend elimination and capable of exercising considerable patience, Pullman is not unattractive as an out-and-out speculation.

National Power & Light Co.

Position of the industry: Moderately depressed; but will recover with improvement in other industries.

Co.'s working capital per share . . $5.56

Cash and governments per share . $5.91

Latest earnings per share (12 mos. to 7/31/32) $1.48

Price	Div.	Yield
$15	$1.00	7.0%

THE National Power & Light Co., 46% owned by the Electric Bond & Share Co. and 13% held by the Lehigh Coal & Navigation Co., is a holding company whose subsidiaries serve a population of about 3,400,000 with gas, electric power and light and transportation. About half of this population is in Southern states, and the remainder in the Lehigh Valley of Pennsylvania, noted for its production of cement and anthracite coal. About 78% of the company's revenue is derived from the sale of electric light and power, 15% from transportation, and the remaining 7% from gas. Industrial customers take 52% of its electric power output, while residential demands account for 34%. Thus it appears that the company's prosperity depends to some extent upon the demand for cement and the price of cotton.

Owing, however, to the stability of residential and commercial uses of light and power, the earnings of National Power & Light, in common with those of many other public utility companies, have suffered less from the depression than those of most industrial concerns. Per share earnings on the common have thus declined less than 30% from the peak of $2.17 reached in 1929. Fixed charges and preferred dividends were 1.34 times earned during the 12 months ended in July, and the company is free of bank loans and other nearby maturities. Aside from the possibility of adverse effects from political agitation to reduce rates which may arise in the not distant future, the company's stock may be regarded as a sound long pull holding.

Bendix Aviation Corp.

Position of the industry: Depressed, mainly by curtailment in automobile production, and to a lesser extent by slack airplane manufacture.

Co.'s working capital per share $3.65

Cash or marketable securities per share $1.88

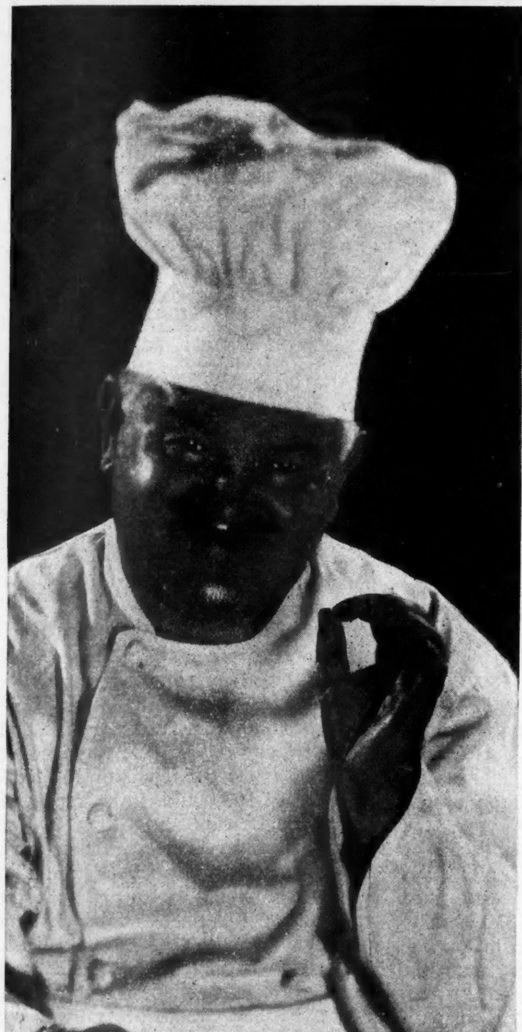
Latest earnings per share, (6 mos. to 6/30/32) . . . . Nil

Price	Div.	Yield
$10	—	—

AS one of the leading automobile accessory manufacturers, Bendix Aviation Corp. has naturally felt the effects of the drastic curtailment of car manufacture which has been such a prominent feature of the present depression. As a maker of carburetors, various instruments, a variable pitch propeller and other airplane accessories, it has been adversely affected by the curtailed activity existing in this field. From the very nature of the business, it follows that Bendix cannot hope to regain any real measure of prosperity without a marked pick-up in one or other of these important industries. Nevertheless, the company is making every effort to weather the depression with as little damage as possible. Its research subsidiary has recently perfected two new mechanical devices, an automatic gear shift for automobiles, and a hydraulic ironer for home use.

For the first six months of the current year, Bendix Aviation reported a net loss of $52,126 after taxes, depreciation and interest, comparing with a net profit of $1,512,345, equivalent to 72 cents per share of common, in the corresponding previous period. Financial position is sound. At the end of

HE REIGNS SUPREME . . .
HIS KINGDOM, OUR KITCHEN



From daylight till dark, the savory domain just beyond our dining room bustles with orderly activity. Rich broths simmer in gleaming stock-pots. Ribs of beef and juicy hams bake in deep, hot ovens. In one corner is the fragrance of apple pie; in another, the aroma of fresh-brewed coffee. And reigning over this kingdom is an amiable sovereign — our chef.*

Like a wise general, he marshals his forces at dawn. In fact, hours before you leave your good Statler bed, he has distributed his carefully-planned menus to the cooks at their various stations . . . issued explicit orders for the day's work . . . and conferred with all his assistants.

And then, through a busy morning and crowded afternoon, he keeps a trained eye on everything. He watches the roasts as they come to a golden brown . . . tastes the sauces and salad dressings . . . samples the vegetables. For, you see, he's determined that nothing shall leave *his* kitchen unless it meets the high standard of Statler cooking.

And because he's an efficient manager, as well as a famous chef, everything moves on schedule in his department. That's why Statler food comes to you *hot* when it should be *hot*, *cold* when it should be *cold*—in a word, deliciously prepared, perfectly served.

To his genius for devising menus that abound with your favorite dishes . . . and his expert supervision . . . we owe much of our reputation for mastering the art of American Cookery. And we're proud of him. He, in turn, is proud of his contribution to Statler service. For, like all our employees, his ambition is *to please* and *to satisfy* the thousands who come to our hotels month after month to dine — and to be housed.

**73% of Statler stockholders are employees.*

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last year current assets, including $3,940,794 in cash and marketable securities, totaled $9,803,496, while current liabilities were $2,142,065. As the small dividend on the common was omitted last May, there has probably been little change in this position during the current year. In common with most motor accessory and aviation stocks under present industrial conditions and those in prospect, Bendix can be viewed at the present time only as a speculation.

Baltimore & Ohio

(Continued from page 707)

only give Baltimore & Ohio access to New York over its own railroad lines and services but will add a large amount of coal tonnage. In 1930 Reading carried 18,546,491 tons of bituminous and 16,073,224 tons of anthracite. Jersey Central's tonnage of the former commodity was 7,355,444 and of the latter 8,474,357.

The leading executives of Baltimore & Ohio stand particularly well with the railroad regulatory authorities in Washington. So far they have been able to get pretty much everything they have asked for, as their policy has been one of conciliation and co-operation. It is believed that they will not experience special difficulty in getting approval for the further steps that they must take to round out the important group of railroads in the East that will constitute the ultimate B. & O. system.

Probably the weakest feature of its financial structure is a heavy funded debt. With the amount outstanding on December 31 and that which will eventually be added by reason of the short-term borrowing this year, the grand total will be well in excess of $650,000,000, on roughly 5,600 miles of line. This debt will carry fixed charges aggregating over $30,000,000 a year. To illustrate the magnitude of the burden, on a relative basis, it is necessary only to call attention to the fact that the Atchison, with nearly 10,000 miles of line, has only $309,000,000 funded debt in round figures and about $13,000,000 fixed charges.

It is believed by the B. & O. management, however, that when the grouping plan is effected, which will give the B. & O. approximately 8,800 miles of line, and the contemplated economies are made, net earnings will be sufficiently increased, even without a big expansion in gross earnings, to cover the fixed obligations, the full 4% dividend on the preferred, a reasonable dividend on the common, together with a surplus that will place the B. & O. on a comfortable credit basis.

In 1930, a much more nearly normal year than 1929 or 1931, B. & O. carried 40,791,490 tons of bituminous coal. Any material picking up in industrial lines, such as is rather confidently contemplated, would add to the company's tonnage materially and rather rapidly. In fact, in the last week of September, it became known that B. & O.'s carloadings were running from 400 to 500 cars daily above the corresponding days of August and that the indications were for an average increase in September of 10% over the previous month. Bituminous coal was reported to have figured substantially in this improvement.

The suggestion has been offered just recently that quite possibly the recovery in traffic in the large industrial centers in eastern territory might come sooner and be more pronounced than in agricultural traffic on western lines. The prices for agricultural products, in spite of recent advances, are still too low to justify normal shipment to eastern markets. The other sad feature of the situation for the agricultural producers is that, even at the low prices prevailing this year, the demand has been greatly reduced.

As already indicated, B. & O. executives believe in working in close harmony with government authorities at Washington and in pursuing a friendly, conciliatory and co-operative policy in all their relations with shippers and the traveling public. As a step in the carrying out of this program, and to put additional men back to work, the company has made application for a so-called "work loan" of $3,000,000 from the Reconstruction Finance Corporation. Of this amount $900,000 is for the repair of 165 locomotives, $1,100,000 for the repair of 2,500 freight cars and $1,000,000 to build 820 new all-steel gondola cars. It was stated in the application that 1,500 men would be given work for six months, beginning October 1, on a part-time schedule of 30 hours a week.

For the first 8 months of this year Baltimore & Ohio made a better showing, particularly as to net railway operating income, than many other roads. The figure for that item for the first eight months of this year was $12,843,156 against $17,915,802 for the corresponding period of the previous year, a decrease of $5,072,646. To show how B. & O.'s net has dropped in comparison with 1930 it need only be noted that the decrease was $13,000,000 in round numbers. In spite of its relatively good net from operation in comparison with even larger and stronger systems, B. & O. failed by $5,698,929 in the first 8 months of this year to earn its proportion of fixed charges for

that period, whereas in 1931 there was net income of $12,819,230.

All the securities of B. & O. have had a big advance from the low levels of this year. The common stock rose from 3¾ to above 21 and the preferred from 6 to around 27. The upturn in the bonds has been particularly pronounced, for that kind of security. The refunding 6s of 95 came back from 27½ to 65, the first 5s of 48 from 65½ to 90½, refunding 5s of 95 from 24¾ to 57, the 5s of 2,000 from 25 to 56½, the 4½s of 33 from 31 to 71¾, 4½s of 60 from 15 to 48 and first 4s of 48 from 58 to 83.

For many years B. & O. was a so-called differential road between New York and Chicago as to its passenger traffic, because of its inability to give as good service as New York Central and Pennsylvania. For some time it has been on the same footing as to passenger rates and has developed its passenger service to such an extent as to be preferred, by many to that of its two leading competitors. Its friendly and co-operative policy in dealing with shippers has won for B. & O. an increasing amount of freight traffic, even when the competition was particularly keen.

When the general consolidation plan for eastern roads is fully in effect, Baltimore & Ohio, both as to size and importance, will be one of the prominent railroad systems, not only in the East but in the whole United States. With the further development of this country that is expected by all sane-minded people, its earning power should be such as to justify reasonable prices for its securities and a reasonable return on its common stock, after having met all prior distribution requirements.

How Are the Giants of Industry Faring?

(Continued from page 702)

static trend of population growth, it appears out of the question that telephone expansion will in future continue at the rate of recent years. Certainly, for the present, a virtual saturation point has been reached.

This fact merits careful investment consideration, suggesting that in future years the common stock may quite logically assume a more and more static investment position. In past years the company's tremendous physical expansion has been financed to a major extent out of issuing additional shares to stockholders at par. These "rights" have richly padded the regular return from the dividend. If we have reached anything like a saturation point in telephones, the period in which shareholders could rely upon "rights" averaging fully $5 per share annually probably has ended.

It is now apparent also that the nature of this business involves a threat of diminishing returns from expansion. The connection of each instrument in the system with an increasing number of other instruments involves a disproportionate increase in investment. In 1920, for example, plant investment per telephone was $164 and by 1930 it was $257 per telephone. In short, if dynamic expansion has ended, earning power will become more static; and if there should be further large expansion, the cost per telephone will tend to retard profits unless materially higher rates were charged.

To the genuine investor there is nothing disturbing in this picture. Thousands of persons in the past have bought the stock with an eye to market appreciation and to "rights" as well as regular investment income. These attractions may not disappear but they probably will be of lessening importance in coming years. In a safe and satisfactory dividend return alone there will be ample attraction.

No industry has met a more severe test in depression than that of railroad-

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of Recent Date

Name and Dividend	1932 Price Range High	1932 Price Range Low	Recent Price	Name and Dividend	1932 Price Range High	1932 Price Range Low	Recent Price
Alum. Co. of Amer.	90	22	59½	Glen Alden Coal	23½	6	13
Amer. Cit. P. & L. B	8⅛	⅝	5	Goldman Sachs T.	5	1	2¼
Amer. Cyanamid B	8½	1⅝	5	Gt. A. & P. Tea N. V. (6½)	168	103¼	140
Amer. & Foreign Pwr. War.	10	1⅛	6	Gulf Oil of Pa.	44¾	23	29⅛
Amer. Gas & Elec. (1)	41⅞	14½	31	Hollinger Gold (.70)	5	3⅜	4¾
Amer. Lt. & Traction (2½)	24¾	10	19⅝	Horn & Hardart (2½)	29	15⅛	24
Amer. Superpower	10⅛	1⅛	5½	Humble Oil (2)	55	35⅝	39
Assoc. Gas Elec. "A" (Stk. 5%)	5⅛	⅝	2⅛	Nat. Sugar N. J. (2)	25¼	10	24¾
Brazil T. L. & P. (8%) Stk.	13⅜	7	9¾	N. J. Zinc (2)	35⅝	14½	31¼
Central States El.	6¾	½	3¼	Newmont Mining	28⅞	4⅝	14½
Cities Service	6⅞	1¼	3⅞	N. Y. Telephone Pfd. (6½)	115⅛	98	114
Cities Service Pfd.	53⅜	10	23	Niagara Hudson Pwr. (New) (1.20)	20	7⅞	15½
Creole Petroleum	3⅛	1¾	2½	Penroad Corp.	4⅜	1	2⅝
Crocker-Wheeler	10¼	1½	5⅛	St. Regis Paper	8⅜	1⅛	4¾
Commonwealth & So. War.	1	3/16	⅛	Salt Creek Prod. (1)	5⅛	2⅞	5⅛
Consol. Gas Balt. (3.60)	69¾	37¼	65	Singer Mfg. (8)	138	75	100
Cord Corp.	8⅞	2	5	Smith, A. O.	59	11	25⅛
Deere & Co.	18⅝	3½	12	Standard Oil of Ind. (1)	25⅛	13⅛	20½
Detroit Aircraft	⅝	⅛	⅜	Standard Oil of Ky. (1.20)	15⅞	8⅞	12
Elec. Bond & Share (6% stk.)	48	5	28⅛	Swift & Co.	18⅞	7	8⅞
Elec. Bond & Share Pfd. (5)	59½	16½	47¼	Swift Int'l (4)	26	10	17¾
Fajardo Sugar	51⅛	9½	25	United Founders	3⅛	9/16	1⅞
Ford Motor, Can. A	15	5	7⅞	United Gas Corp.	4¾	⅝	2¾
Ford Motor, Ltd.	6⅛	2½	4	United Lt. & Pow. A	9¼	1¾	5¾

ing. Public confidence in railway securities has been sorely shaken. Some fear that the railroads are "through," killed by unwise governmental regulation, high taxes and newer forms of transport.

These troubles are serious, but the fact is that the majority of railroads have always fared badly in major depression. The reason is inflexible fixed charges on a burden of bonded debt which constitutes a major part of capitalization. But is it inevitable that railroading should be a fair weather enterprise? So far as profits for common stocks are concerned, the answer is yes. But this is not the problem. The problem for most roads is to support bonded debt.

Aid from the Government, both in current loans and in a sounder long term policy of regulation, is desirable, but there is another side to the problem which receives insufficient attention. Many of the present troubles of the railroads are of their own making. Regardless of all other factors, the chief requisites for success in railroad operation are the same as in any other business—sound and honest capitalization and capable management.

The position of the Atchison, Topeka & Santa Fe Railroad is significantly interesting today because it shows that a soundly developed, properly managed system *can* stand upon its own feet even under acutely adverse economic conditions. Whatever government may do for the railroads, the surest answer to the problem would be to apply to all roads, so far as possible, the methods that account for the success of this premier railroad system.

Atchison went through a receivership in 1896 and an honest and thorough reorganization. Beginning with a sound debt capitalization, the management has kept it so. Funded debt today is less than \$310,000,000—only \$22,820 per mile of main track—and is virtually unchanged from the total debt of 1913. Interest charges on this debt average only 4¼ per cent. The road's depreciation and maintenance charges consistently have averaged 25 to 30 per cent above those of its competitors.

For years prior to this depression Atchison earned an average of more than \$15 per share on its common stock. Shareholders clamored for more generous disbursement or—looking at a corporate surplus of \$495,000,000—for a stock dividend. The management stubbornly clung to its conservatism. Substantially less than half of the earnings on the common were distributed in dividends. Hundreds of millions of dollars out of surplus earnings were spent in improving the property.

Today the road's physical property is in top shape. It has borrowed not one cent from the banks or the Government and is so conducting its affairs that future borrowing is highly improbable. Its cash position is strong. It does not even have any equipment trusts outstanding. In short, without substantial increase in expenditures this road is equipped to handle a major increase in traffic. Given a normal business recovery, it will be among the first in revival of earning power.

It is true that the road has been favored by a population growth in its territory faster than the average of the country. It is also favored by a wide diversification of products in its territory. These are benefits that all roads can not enjoy. Yet to a major degree, there is little of the fortuitous in the success of Atchison. It rests overwhelmingly on sound capitalization and efficient management. Its status after three years of depression is a lesson for all who seek panaceas for the railroad problem.

* * *

To attempt any broad generalization from an examination of only four companies, even though they comprise the giants in big business, is hazardous. Yet it is significant to note that each of these four, while not without their vulnerabilities, has nevertheless met adversity and come through it in a strong position. Each of them has ample financial resources and managerial skill of a high order. Of the two the latter is probably the more important, and so long as capable management exists to cope with the adjustments demanded by changing times and conditions, we may look forward to enduring progress not only for these four companies, but for such others of the large corporations as conform to their standards.

Answers to Inquiries

(Continued from page 717)

funded debt or bank loans and capital obligations consist solely of 45 shares of class A preferred stock (\$100 par value) and 446,250 shares of common stock (\$20 par value). Beech-Nut Packing Co. ranks as one of the leading units in the package food industries, distributing a broad line of products, all of which are sold under the trade-name "Beech-Nut." Sales department of Beech-Nut Packing is well organized, and is augmented by aggressive national advertising policies. The company is in a favorable position to reflect general business recovery, and we look upon the common stock as an attractive medium for participation in the recovery of the food industry. At prevailing prices, the shares are reasonably valued in relation to current earnings and medium term prospects and we would not oppose moderate additional commitments on any recession.

CUDAHY PACKING CO.

If there has been any announcement about Cudahy Packing Co.'s dividend, I must have missed it. I am very anxious to know if the \$2.50 rate is to be kept up. Please tell me about this and let me know

if you consider Cudahy a stock to hold under present conditions in the packing industry.—H. D. O., Dayton, Ohio.

Directors of this company recently declared the regular quarterly dividend of 62½ cents payable October 15. In June, when the dividend was reduced from $4 to its present rate of $2.50 annually E. A. Cudahy, chairman of the board, stated that "the financial position of the company is excellent with current indebtedness particularly low for this season, and I feel confident with our low-priced inventories, reduced operating costs and conservation of our surplus by the reduction of common stock dividend, that the company will close its present year not only in a strong financial position but with a fair margin of profit." For the fiscal year ended October 31, 1931, $3.06 a share was earned on the common stock as compared with $5.03 a share in the preceding year. Balance sheet as of October 31, 1931, discloses a good financial condition, with current assets of $26,422,000 against current liabilities of $4,565,000. Cudahy is a compact organization that has been very successful in keeping overhead down to a relatively low figure, in which it has been helped by the absence of a costly Chicago plant, strategic location of production units and no branch house expense abroad. Its nationally advertised trade-marked article "Old Dutch Cleanser" is a side line which contributes a sizeable portion to annual earnings. In an industry where profit margins are calculated to a fraction of a cent, continually declining prices has been an adverse factor for some time. Considering conditions, therefore, Cudahy must be regarded as having made up to the present time, an excellent showing. At the half year, prices of cattle and hogs were the lowest in 20 years, and with inventories priced on the basis of these low levels, it appears reasonably assured that further losses on account of declining prices will be inconsequential. In our opinion, there is a very fair chance of the company being able to maintain the present dividend rate of $2.50, and we believe you are justified in continuing to hold the stock.

GENERAL AMERICAN TANK CAR CORP.

Will you send me your candid opinion of the outlook for General American Tank Car Corp.? I have 100 shares which I bought at an average price of 40. Will the contracts for maintaining cars for such companies as Armour & Co. aid materially? Do you advise me to sell or continue to hold?—R. J. K., Birmingham, Ala.

Formerly, this company was dependent for the greater part of its business on the petroleum industry, but owing

to the development of all kinds of special cars, operations are now well diversified, with food products accounting for the greatest proportion. The management has shown itself to be progressive and efficient in expanding the company's business and developing new ideas. Such large shipping concerns as Swift & Co., Penick & Ford, and recently Armour & Co. have turned over their cars to General American Tank and the latter now takes care of practically all their requirements. Recently, a new type car was developed by the company known as the "Dry-Flo" that will handle granular commodities as conveniently and efficiently as tank cars now handle liquid commodities. Some of the products for which the "Dry-Flo" car was designed are cement, lime, sulphur, flour, fertilizers, soda-ash, etc. Handling these products in bulk instead of in bags will, it is estimated, in some cases, show a saving as high as $2 a ton in shipping. For the six months ended June 30, 1932, $1.02 a share was earned on the stock which compares with $3.02 a share for the corresponding period of 1931. Indications are at this time that the company will do about as well in the second half as in the first. In the full 1931 year, $5.33 a share was earned on the common comparing with $8.03 a share in 1930. At the close of 1931, the company had bank loans of $4,500,000, not an unduly large amount of current indebtedness for a company that lists its total assets at over $100,000,000. In view of general business conditions, the falling off in earnings should not be regarded as indicating any inherent weakness. In fact, the showing is better than in the case of other railroad equipment companies. While acquisition of the Armour tank cars is not a factor of immediate importance in earnings, it indicates a steady expansion in the company's business along these lines. We rate the stock as a satisfactory long pull holding for there is every reason to believe that when general conditions improve, a large part of the earning power recently lost will be recovered.

COMMERCIAL SOLVENTS CORP.

A friend of mine advises me to sell my 100 shares of Commercial Solvents, purchased pretty close to present levels. I have carried this for some time and do not want to sell at the wrong time if there is a possibility of any substantial advance. What is the real outlook for this company? Do you advise me to sell, hold or buy more?—A. J. G., Dayton, Ohio.

For the six months ended June 30, 1932, Commercial Solvents Corp. reported profits of $589,274, equal to 23 cents a share on the common stock, of which $295,820 or 12 cents a share was accounted for in the June quarter of the year. Results for the initial half of 1931 amounted to $1,182,243 or 46 cents a share on the common stock. The decline in earnings reflects the sharply curtailed activity in the automotive and textile industries, upon which the company depends for its sales of butanol and other solvents. While some seasonal improvement might be anticipated during early ensuing months with the fall pick-up in the automotive trade, present indications are that full 1932 returns will fall short of the current annual dividend of 60 cents a share. Thus, some revision in dividend rate probably is forthcoming, in the interest of cash conservation. Despite the decline of $1,770,000 in net working capital during last year, financial condition of Commercial Solvents as of December 31, 1931, was exceptionally liquid. Total current assets amounted to $6,694,007 of which $2,588,236 consisted of cash, and $1,766,031 in United States Government securities (at cost) against total current liabilities of only $375,567. This factor, coupled with the alliance of the company with E. I. duPont de Nemours through Krebs Pigment & Color Corp., and with Corn Products Refining Co., through the formation of Resinox Corp., augur well for the longer term prospects. In our opinion, Commercial Solvents common offers interesting speculative possibilities over a period of years, and present holders of the stock might well disregard transitory market fluctuations and maintain present holdings intact.

UNION CARBIDE & CARBON CORP.

What is your opinion as to holding 100 shares of Union Carbide & Carbon Corp. stock purchased at about 39 in 1931? Do you think the dividend will be earned for the full year? What are the possibilities for further dividend adjustments? I will appreciate an early reply.—H. A. S., Denver, Colo.

In reflection of a pronounced slackening in demand for the company's products, profits of Union Carbide & Carbon Corp. for the first six months ended June 30, 1932, declined to $4,236,437 or 47 cents a share on the common stock from $9,119,825 or $1.01 a share in the corresponding interval of 1931. However, it is interesting to note that the results in the June quarter of the current year showed a slight improvement over the initial three months, net amounting to $2,254,997 or 25 cents a share, against $4,506,155 or 50 cents a share for the June quarter of last year. Recent reports emanating from well informed sources indicate that volume of business in the third quarter was maintained at levels close to those of the second quarter. Moreover, notable progress has been made in the sale of new products, and effecting more economical methods of handling established products. The favorable reception of Vinylite resins indicates that this division of the company's operations will soon be on a paying basis, and likely to prove an important source of revenues for the company. "Vinylite" is being used in the manufacture of a wide range of toilet articles and 5- and 10-cent novelties, competing with celluloid. Since Vinylite is non-inflammable, it has a considerable advantage over celluloid, and may eventually displace the latter. The foregoing development is an illustration of the ability of the company to successfully promote new products perfected in its laboratories, a factor that augurs well for the longer term outlook of the company. During the interim, however, substantial earnings recovery of the company must of necessity await general revival of business since the greater part of the company's products is taken by basic industries. The recent reduction of dividends on the common stock, in the light of the excellent financial condition reported by the company at the close of last year, reflects the desire on the part of the management to conserve cash, in the face of continued earnings declines, a policy that may prompt a further reduction in distributions, should conditions continue unsatisfactory for an extended period. Nevertheless, these very factors tend to strengthen the competitive position of the company, and places the company in a favorable position to reflect immediately a turn for the better in business and industry generally. The shares offer a moderate degree of attraction for holding over the longer term, and we see little cause for disturbing present holdings.

OTIS ELEVATOR CO.

Do you advise me to continue holding 150 shares of Otis Elevator Co. purchased in 1930? Do you think the dividend is likely to be adjusted any further? I would appreciate all facts possible as to the outlook for this company.—F. L. K., Boston, Mass.

Otis Elevator occupies a dominant position in its industry, doing about 70% of the domestic elevator business and the only producer of escalators. It has developed a very substantial foreign trade, associated companies operating in 40 of the principal countries outside of the United States. Activity in this business is naturally closely allied with the building industry. In view of the building boom previous to 1930 it does not appear likely that expansion in office building and other

large scale construction is likely to appear for a considerable period after general business activity has turned upward. Hence, recovery of earning power for Otis Elevator may be rather slow. For the six months ended June 30, 1932, 19 cents a share was earned on the common stock which compares with $1.33 a share in the corresponding period of 1931 when the company was helped by a considerable carryover of unfinished business. In the full year 1931, $2.01 a share was earned on the common stock comparing with $3.44 a share in 1930. Balance sheet as of June 30, 1932, discloses an unusually strong financial condition, with current assets of $23,188,000 compared with current liabilities of $1,404,000. There is no funded debt. Included in current assets was $12,384,000 cash and Government securities. Capitalization consists of 65,000 shares of $6 cumulative preferred stock, par $100, and 2,000,000 shares of common stock of no par value. Working capital of the company alone on June 30 was equivalent to $7.60 a share on the common stock. Present indications are that Otis Elevator will earn little or nothing on the common this year, and in line with these earnings dividend has just been reduced from a $1.50 to a $1 annual rate. Financial strength is unusual but the policy of the management will probably be to draw on reserves to only a limited extent. While the stock does not appear attractive for early appreciation in value, the company's dominant position in its industry and strong cash position justifies retention of long pull holdings.

E. I. duPONT de NEMOURS & CO.

Everywhere I meet new uses for cellophane and it seemed to me that in view of this tremendous growth in its use that duPont would be a good investment but a friend tells me that this company derives the greater part of its income from General Motors and in view of the uncertain outlook for the motor industry has made me doubtful. What is your opinion as to the outlook for this company and the advisability of moderate commitments at this time.—R. S. L., Hartford, Conn.

While it is true that the sale of cellophane has gone ahead by leaps and bounds regardless of generally poor business conditions, nevertheless, the major portion of duPont's earnings are still derived from its holdings of General Motors stock. For the quarter ended June 30, 1932, for example, 27 cents a share was earned on the common of which 23 cents a share represented dividends received from its holdings of General Motors. Earnings of only 4 cents a share from its own business in the June quarter are a reflection of the very unfavorable general business conditions existing during that period. The sharp drop in the consumption of such products as lacquers, dyes and other chemicals by the automobile industry together with the smaller demands for explosives, more than offset increased earnings of such new products as cellophane. For the six months ended June 30, 1932, earnings were equivalent to $1.01 a share on the common, comparing with $2.24 a share in the corresponding period of 1931. As a consequence of this decline in earning power, dividends were reduced from $3 a share to $2 a share annually, and whether this rate can be continued undoubtedly depends on General Motors being able to maintain its current dividend rate of $1. As General Motors earned only 24 cents a share in the first six months this year, its present dividend is obviously none too secure. On the favorable side is duPont's very strong financial condition, current assets as of June 30, 1932, amounting to $100,058,000 against current liabilities of $7,221,000. Included in current assets were marketable securities and cash totalling $51,093,000. duPont has made large expenditures for research which has resulted in the development of cellophane, higher alcohols, synthetic rubber and other products, and the company can be considered as having unusual potentialities as a leader in one of the great industries in which hope for the future rests. At prices somewhat under current levels, duPont can be regarded as a satisfactory commitment for the investor who is willing to wait for the promising future developments that appear in store for the company. As its plans progress, it will probably become less dependent on General Motors income than is the case at the present time.

The Reconstruction Finance Corporation—A Great Experiment

(Continued from page 697)

The rate of interest demanded on loans to banks—5½ per cent—is not low enough to encourage unnecessary renewals. This policy is criticized as tending to make financial institutions think more of getting out of debt to the Reconstruction Finance Corporation than in meeting the public duties which the emergency and the loaned demand of them. The result is that credit thaws slowly.

Of course, the Reconstruction Finance Corporation has its limitations—there is even a limit to 3,500 million dollars. If the depression continues for

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

	Bid	Asked		Bid	Asked
Alpha Port Cement Pfd. (7)	50	85	Howe Scale	3	6
American Book Co. (7)	61	64	Do Pfd.	10	15
Amer. Dist. Teleg. (4)	50	54	Merck Co. Pfd. (8)	70	74
Do Pfd. (7)	96	99	Macfadden Pub.	2½	3½
Amer. Manufacturing	9	15	National Casket (3)	35	40
Do Pfd. (5)	45	55	Do Pfd. (7)	85	..
Amer. Meter Co.	11	15	Newberry (J. J.) Pfd. (7)	72	80
Babcock & Wilcox (2)	33	36	Ohio Leather (1)	12	15
Bohack (H. C.) Co. 1st Pfd. (7)	92	100	Do 1st Pfd. (8)	80	90
Bon Ami, B (2½)	24½	31½	Roxy Theatre Pfd. (A)	1	2
Carnation Co. (.75)	9	12	Ruberoid Co. (1)	19	22
Do Pfd. (7)	80	85	Safety Car H. & L.	33	36
Congoleum Co. Pfd. (7)	98	101	Savannah Sugar (6)	45	55
Clinchfield Coal	7	15	Do Pfd. (7)	76	83
Do Pfd.	30	..	Singer Mfg. Co. (8)	98	103
Colt Fire Arms (1)	8	10	Standard Screw (2)	22	27
Crowell Publishing Co. (1)	18	22	Stetson (J. B.) Co	12	16
Do Pfd. (7)	85	95	Do Pfd.	14	18
Douglas Shoe Pfd.	8	12	Va. Ry.	40	50
Dixon (Jos.) Crucible	35	42	Wabash Ry. & Elec. Pfd. (5)	89	92
Dictaphone Corp.	6	8	West Va. Pulp & Paper (.40)	9½	11½
Fajardo Sugar	20	30	Do Pfd. (6)	76	..
Franklin Rwy. Sup	11	..	White Rock 2nd Pfd. (10)	75	..
Gt. N. Paper (2.40)	14	16	1st Pfd. (7)	85	..
Gt. A. & P. Tea Pfd. (7)	116	119½	Young (J. S.) (6)	50	70
Herring-Hall Safe	13	19	Do Pfd. (7)	82	..

another year or two some of the borrowing corporations—the railways, for example—will have no more collateral, even if the Reconstruction Finance Corporation has the money, and will eventually go into receiverships.

Great as is the current significance of the Reconstruction Finance Corporation, it has greater significance in what it portends. Regardless of whether entanglements arising from the future implications of the loans that are now being made may keep the Reconstruction Finance Corporation or some substitute body as a permanent institution it is altogether probable that it will persist as a deliberate innovation. We are witnessing the birth, in the medium of the Reconstruction Finance Corporation and other new institutions (notably the Home Loan Bank System) of a lasting governmental invasion of the field of credit. We may expect that in the future the credit of the government will be routinely used in certain fields of finance. It is not unlikely that public credit will be greatly relied upon hereafter for many undertakings that are in the marginal area of capital return. Probably 50 billion dollars could be spent in the next 25 years in rebuilding the run-down, obsolescent urban neighborhoods. Perhaps 2 or 3 per cent is the maximum possible return from such investments. Private capital may eschew them. Great new utility projects may be so near the border line of doubtful return that only the government can undertake to finance them. Out of the exercise of the vast credit resources of the government in these ways there may arise a degree of credit supervision and planning that will affect the whole future of productive investment. The Home Loan Banks will affect another field of planning.

Gradually in these and other ways we may evolve a practice of future planning that will give our capitalistic society some relief from the defects of its good qualities without committing ourselves to the dangers of doctrinnaire socialism.

However, that may be impartial judgment will conclude that the Reconstruction Finance Corporation accomplished a fundamental emergency rescue work in the field of finance even if the next few months shall reveal less satisfactory performance in respect to the promotion of recovery from the depression. It has been a great fire-fighter—its capacity for economic salvage is still in the balance.

After the Election—What?

(Continued from page 694)

Mr. Hoover, the widespread desire for a new deal, the feeling that the time has come for efforts to spread out the benefits of economic progress, to do something for "the forgotten man" a change in administration would have the effect of restoring hope and confidence in the masses. There is here a mass psychology to be considered that may be even more important than the limited psychology of big business. It may be more in the larger interests of business to have a government that will placate the growing impatience of the distressed masses.

The business world will be well advised to count upon the probability that it will be confronted after November 8 with either a Democratic or a divided government. It should make its dispositions accordingly. It will therefore prepare for a period of doldrums, but it should do so in full confidence that really there is nothing in store for it in the way of admittedly destructive, much less revolutionary, changes in the incidence of Federal government on business. While it will consult its fears rather than its subconscious confidence that nothing disastrous impends, not even they will blast a revival inherent in the course of events.

The difference between a sweeping Hoover victory and a sweeping Roosevelt victory will be at most only the difference between quick and slow recovery. Moreover, three years of rearguard action with adversity have accustomed business to making the best of whatever is. People no longer wait for something to turn up. They do their daily stint as best they may and find a sufficiency of evil in each day without drawing on tomorrow's. The outcome of the election may dash hopes of a spectacular revival, but of itself it will not bring on a new recession nor raise the specter of another panic. Neither will the acts of a Democratic administration. And there is always the possibility that good may come out of the Nazareth scorned of Republicans, even as the Federal Reserve Act came out of the first days of the Wilson administration.

Is the Autumn Rally Over?

(Continued from page 689)

was to a large extent the manifestation of governmental will to correct this situation which resulted in turning the tide last June and which restored both American and European confidence in the dollar. What is to become of that confidence, particularly on the part of Europeans who bought heavily of our securities this summer, unless the promise of setting our Federal finances in genuine balance is fulfilled?

The question will have to be answered by Congress in December. Meanwhile, in combination with continuing industrial depression, it is a factor of uncertainty which, in the minds of investors, at least balances the promise of increasing gold reserves, declining currency circulation and relaxing credit.

Interpreting Financial Notices

This feature serves investors in clarifying various legal notices associated with important corporate changes. Notices concerning reorganizations and security holders protective committee especially, will be discussed in order to interpret legal phraseology and afford some background which will aid the security holder in deciding on his individual course.

United Cigar Stores of America—Cigar Stores Realty Holdings, Inc., Receivership

United Cigar Stores Co. of America and its subsidiary, Cigar Stores Realty Holding Co., Inc., filed a voluntary petition for bankruptcy in the U. S. District Court of New York. The former company, in addition to operating a chain store business, has had extensive real estate operations consisting largely of subletting under leaseholds held. In the past this business was profitable, but recently it has involved the company in heavy losses through defaults by company's subtenants with no compensating adjustment of the rental of the leases on which the company itself was liable.

The United Cigar Stores Co. of America in the receivership petition claimed assets of $8,341,684 and liabilities of $9,502,029. The Cigar Stores Realty Holding Co., Inc., showed liabilities of $8,701,000 consisting mostly of outstanding debenture bonds and assets consisting of $9,811,967 real estate holdings and leases with a book value of $9,503,603. It also listed as possible liabilities mortgages amounting to $5,306,250 outstanding against the property.

The 20-year 5½% debentures Series A of Cigar Stores Realty Holdings, Inc., were guaranteed by the United Cigar Stores Co. of America, the protective committee consisting of Lewis L. Strauss (Kuhn, Loeb & Co.), Burnett Walker (Guaranty Co. of New York), R. J. Whitfield (Chase Securities Co.), and Maurice Wertheim (Wertheim & Co.), has been formed who are asking the deposit of the debentures under a Deposit Agreement with the Guaranty Co. of New York. In their call for deposits they state that "in view of the provisions of the Bankruptcy Act for voting at creditors' meetings, it is essential that both the number of depositors and the amount of Debentures deposited should be as large as possible, in order to control the election of a trustee in bankruptcy. The committee, therefore, emphasizes the importance of promptness in depositing Debentures in order that concerted action may be taken through united representation on behalf of and in the interest of the Debentureholders."

The value of the assets of Cigar Stores Realty Holdings, Inc., consisting entirely of real estate holdings and leases is problematical. What is recovered will depend a great deal on how much care and diligence is exercised from in disposing of these assets.

Reorganization Plan of the Fisk Rubber Co.

On August 29, 1932, a new reorganization committee, of which O. G. Wood is chairman, announced a new plan for the reorganization of Fisk Rubber Co. Under this plan, for each $1,000 principal amount of existing first mortgage 20-year 8% bonds, there will be given $400 in cash, 3 shares of $6 preferred stock (cumulative from January 1, 1934) and 30 shares of common stock of a new operating company, in addition to 2 shares of common stock of a real estate company. Each $1,000 of 5-year 5½% notes would receive $370 in cash, 2 shares of $6 preferred and 20 shares of common stock of the new operating company. In order to participate in this plan, holders of the 8% bonds should deposit with the Chase National Bank, New York, or Old Colony Trust Co., Boston, and the 5½% notes with the Central Hanover Bank & Trust Co., New York City, or the National Shawmut Bank, Boston, Mass., on or before September 30, 1932.

The holders of certificates of deposit issued under the Bondholders Deposit Agreement dated December 8, 1930, the Noteholders Protective Agreement dated December 6, 1930, or the Plan and Agreement dated January 25, 1932, need take no action in order to become party to the plan, and no new certificates of deposit will be issued them.

Holders of existing stock would have rights to subscribe to common stock of the new operating company at $2.50 a share on the following basis: For each share of 1st preferred, convertible 1st preferred and management stock, 5/6ths of a share of new common; for each share of old 2nd preferred, 5/12ths of a share of new common; for each share of old common, 1/12th of a share of new common. Subscriptions are payable at Central Hanover Bank & Trust Co., New York, $1.25 a share at time of deposit of stock (or certificates of deposit therefor) the remaining $1.25 a share at call of reorganization committee. Committee under Stockholders Deposit Agreement dated December 6, 1930, Andrew J. Miller, chairman, has adopted the plan and recommends to holders of all classes of stock that they avail themselves of the privilege of subscription offered.

Under the old plan dated January 25, 1932, bondholders did not receive any cash. The more liberal treatment as regards bond and note holders under the new plan was influenced by a marked increase in the company's cash position in the first half year due to liquidation of inventory.

The new plan proposes the creation of an operating company to continue the Fisk business on a reduced scale and for creation of a real estate company to liquidate for benefit of bondholders all mortgaged property not useful to the new operating company. The latter will take over the entire tire plant and equipment in Chicopee Falls, Mass., such fabric mills as may be later determined, patents, trade-marks, and all inventories and accounts and notes receivable owned by the old company and its subsidiaries, and cash and securities available after providing for costs of reorganization and distribution provided by the plan. The new operating company will start business entirely free of funded debt.

N. Y., Chicago & St. Louis R.R.—Deposit of 3-Year Notes Requested

Having no funds available to meet the maturity and interest payment due October 1, on $20,000,000 Three-Year 6% Gold Notes, New York, Chicago & St. Louis Railroad Co. applied to the Reconstruction Finance Corporation for a loan that would enable it to meet this obligation in full. The Reconstruction Finance Corporation turned down this request, but, made a counter-proposal to loan the company $6,800,000 provided the company give satisfactory evidence that the holders of substantially all of the Three-Year 6% notes will extend 75% of the principal for a term of not less than 3 years.

In order to obtain this $6,800,000

loan, therefore, the company has requested noteholders to deposit their notes and receive an amount in cash equal to 25% of the principal amount and the full interest instalment due October 1, 1932. In satisfaction of the remaining 75% of the notes, new notes will be issued to the depositing noteholders equal to such remaining 75% with a maturity date of October 1, 1935, and bearing interest at the rate of 6% per annum.

The company has the sole right to declare whether or not the plan is to be operative, but will not declare it operative unless substantially all of the notes have been deposited.

A petition for receivership of the Nickel Plate on October 7 was denied but the court allowed the petitioner twenty days within which to file an amended declaration. This has given the road some additional time in which to try to bring about further deposits of the notes.

The $20,000,000 6% notes due October 1, 1932, are a direct obligation of the company but have no mortgage security. Unless substantially all of these notes are deposited, a receivership appears inevitable.

Noteholders desirous of accepting this plan of payment should deposit their notes with the Guaranty Trust Co. of New York.

An Unadorned Picture of Industry at the Close of the Third Quarter

(*Continued from page* 691)

the standpoint of agriculture, the Northwest where the crops have been good has fared better than the Southwest where there has been drought.

On the Pacific Coast the lumber industry continues steadily to improve its statistical position by keeping consumption well below production. Prices, however, are far from good. Portland reports a demand for high grade apples, but less enthusiasm for other fruits. Fruit prices are low. Depression has stimulated the mining of gold, but the activity in this field is far from offsetting the fall in other mining. Conditions in the oil industry, while still much better than those which prevailed at the beginning of the year, have been somewhat undermined in the past few weeks by excessive production.

While there is evidently still much room for improvement in general business conditions throughout the country, it is significant that there is barely an important town which does not report an increase in retail buying of at least seasonal proportions. It would seem that the clearing of the financial skies and the vastly improved sentiment which has been the result are reacting to cause a recognition of the extremely low prices which prevail for everyday necessities. Although the process may be a slow one, this must inevitably cause increased manufacturing activity. It has already occurred in the light industries, textiles and leather. Eventually it should seep down to those manufacturing producers goods.

"Tips" on Books

Book Review Section of The Magazine of Wall Street

WASHINGTON SWINDLE SHEET

By William P. Helm

A. & C. Boni, New York

EVERY harrassed taxpayer—and this means every adult person in the United States, for we all pay taxes one way or another—should read this book. Written from Senate Document No. 1, which is the annual report of the Secretary of the Senate, and in the author's inimitable style, it is a scathing indictment of Congress for millions of dollars of unnecessary expenditures of the taxpayers' money.

Transportation charges by Congressmen going back and forth to Washington which are four or five times the amount spent by private citizens for the same trips—transportation charges for going back and forth when the Congressman remained in Washington between sessions—vacation junkets to investigate wild life in America, to study trade relations with China, or to look in on the Everglades in Florida to make sure they are still there—airplanes, blimps, house-boats, motor boats, automobiles, hotels and bicarbonate of soda—$20 tips to waitresses and $10 tips to cooks—eight drawing rooms and compartments for six Senators and two guests necessitating the purchase of 16 railroad tickets—26,000,000 copies of speeches on everything from the repurchase of the Vollbehr collection of incunabula to birth control franked through the mails in one year—allowances for stationary and supplies drawn in cash and committee supplies used—all these and innumerable other items have been culled by Mr. Helm from public records available to every taxpayer.

It is all quite legal—provided for by-laws passed by Congress. As the publisher's blurb says; "House and Senate records tell of petty graft safely and comfortably legalized,. and of a disregard of public funds unworthy of the trustees of those funds."

After one has read this book he no longer wonders at the inability of democracy to balance its budget. "The Swindle Sheet" may be only bookkeeper's slang but some of the chapters suggest a more sinister meaning.—E. G.

THE NEW AGRICULTURE

By O. M. Kile

The Macmillan Co., New York

THE new agriculture, as Mr. Kile sees it, is essentially large scale farming, mainly conducted by corporations, but many of them although corporate in form would be large-sized family farms. Still larger farms would be composed of amalgamations of the large family farms. These two groups would constitute what might be called business farming. More numerous than they would be the home farms — subsistence farms — only secondarily operated for profit. Another numerous group would be composed of the farm homes of people occupied in nearby cities. There would also be many small specialty farms. In the West and South there would be numerous bonanza farms of great extent, purely corporate in organization and management.

The great majority of the ordinary 100-to-250-acre farms "have not returned even a fair living, more than two or three years out of the past ten," the author states. The farm population is declining and America will soon be without an adequate farm population. Such a population can only be maintained by profitable farming. All legislation to meet the situation has failed. The only cure is to put agriculture in line with large-scale industrial production, with the economies and the profits of large organizations. Mr. Kile is confident that large farms, operated purely as businesses, and not as a blend of business and a way of life, could make a profit at even present low price levels and invade the non-closed markets of low standard countries.

"The New Agriculture" is written in an interesting style and the argument is convincing. It is optimistic in outlook, and finds nothing but desirable consequences from the industrialization of the country side.—T. M. K.

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